

STATE PROGRAMS

Appropriations	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Administration of Foreign Affairs	20,016	20,025	20,369
State Programs	18,462	18,463	18,777
Diplomatic & Consular Programs Ongoing Operations	17,206	17,157	17,419
Worldwide Security Upgrades	1,256	1,306	1,358
	0	0	0
Embassy Security, Construction & Maintenance	892	900	912
	0	0	0
Other Administration of Foreign Affairs	662	662	680
Office of Inspector General	318	318	318
Educational and Cultural Exchange Programs	344	344	362
	0	0	0
International Commissions	345	345	345
International Boundary & Water Commission - S&E	295	295	295
International Boundary & Water Commission - Construction	18	18	18
American Sections	32	32	32
International Boundary Commission	8	8	8
International Joint Commission	24	24	24
	0	0	0
State Appropriations Act	20,361	20,370	20,714

STATE PROGRAMS

Resource Summary

(\$ in thousands)

Appropriations	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Diplomatic & Consular Programs - Ongoing Operations (1)(2)(3)	4,961,443	3,664,914	3,977,940
Worldwide Security Upgrades (4)	730,816	795,170	964,760
Subtotal, Diplomatic & Consular Programs	5,692,259	4,460,084	4,942,700
Capital Investment Fund	58,143	34,319	70,743
Centralized Information Technology Modernization Program	68,482	66,767	0
Subtotal, State Programs Appropriations	5,818,884	4,561,170	5,013,443
Border Security Program/MRV Fees	772,755	747,564	861,950
Enhanced Border Security Program Fees/Visa Fraud Fee/WHTI Surcharge	169,345	401,315	443,765
IT Central Fund/Expedited Passport Fees	153,489	188,416	243,002
Other Fees	38,784	42,530	43,530
Total	6,953,257	5,940,995	6,605,690

All FY 2006 Actuals reflect the rescission of 0.28% provided through the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (P.L. 109-108) and the general rescission of 1.0% provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B).

All FY 2007 Estimates reflect the levels provided by a Continuing Resolution (P.L. 109-289, Division B, as amended). These amounts may change with the expected passage of a year-long CR.

(1) FY 2006 Actual includes \$16 million provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B) and reflects the transfer of \$1.1 million to the Peace Corps.

(2) FY 2006 Actual also includes \$1,333,525 million provided through the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (P.L. 109-234), of which \$1,328,275 million is for Iraq Operations, and reflects the transfer of \$1.0 million to the United States Institute of Peace for activities related to Iraq. Supplementals section of this volume includes requests for additional FY 2007 and FY 2008 funding for Iraq Operations.

(3) FY 2006 Actual also reflects the transfer of \$19.0 million to the Emergencies in the Diplomatic and Consular Service appropriation.

(4) FY 2006 Actual includes \$50.1 million provided through the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (P.L. 109-234).

Overview

Charged with carrying out U.S. foreign policy in a time of extraordinary change, the Department of State projects a vigorous American presence abroad. Through a network of more than 260 posts around the world, the Department works globally to advance national security interests, U.S. development efforts, and American democratic values together.

STATE PROGRAMS

In addition to managing official relations with foreign governments and international organizations, the Department provides services to American citizens, supports U.S. businesses, reaches out to foreign publics through public diplomacy, and develops the extensive local contacts necessary to conduct the business of foreign affairs.

State Programs appropriations (Diplomatic and Consular Programs and the Capital Investment Fund) address the full range of operating requirements to fulfill the Department's mandates. These appropriations – together with Machine Readable Visa, Expedited Passport, Enhanced Border Security Program, Western Hemisphere Travel Surcharge, visa fraud, and other fees – fund the people, platform, and programs necessary to advance U.S. national interests and achieve the objectives of transformational diplomacy.

Highlights by Account

Diplomatic and Consular Programs – Ongoing Operations

The FY 2008 request of \$3,977,940,000 provides resources to strengthen transformational diplomacy and to provide for cost of living increases, domestic and overseas inflation, and other mandatory and high priority adjustments such as the operating costs for new secure embassy compounds.

Worldwide Security Upgrades

The FY 2008 request of \$964,760,000 for Worldwide Security Upgrades provides funding to continue ongoing security programs, perimeter security upgrades, and a High Threat Protection program, as well as to increase the number of special agents and other security personnel.

Capital Investment Fund

The FY 2008 request of \$70,743,000 for the Capital Investment Fund sustains the Department's program of investment in information technology. The FY 2008 Information Technology (IT) Central Fund, which includes the Capital Investment Fund combined with \$243,002,000 in estimated Expedited Passport Fees, will provide a total of \$313,745,000 to support the Department's centralized information technology and communications systems initiatives.

Border Security Program

The FY 2008 request for the Border Security Program is \$1,305,715,000. This program is funded by Machine Readable Visa (MRV), Western Hemisphere Travel Surcharge, Enhanced Border Security Program, and Fraud Prevention fees.

Other Fees

Diversity Lottery, Fingerprint Fees, and Affidavit of Support Fees – The FY 2008 program includes an estimate of \$7,500,000 for the Diversity Lottery Program. Section 636 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 provides that the State Department may collect and retain a fee that ensures the Department's recovery of the cost of allocating and processing applications for visas to be issued under the Diversity Lottery Program. The fee is imposed on successful applicants for the Diversity Lottery Program to ensure that the costs of administering the lottery and allocating diversity visas are recovered from actual users. These fee collections are available to provide consular services and are used to recover the cost to the State Department of the Diversity Lottery Program. In addition, the FY 2008

STATE PROGRAMS

program includes an estimate of \$1,500,000 for the FBI Immigrant Visa Fingerprint Fee program. The request also includes \$21,200,000 for the Affidavit of Support (AOS) Program, which is funded by fee collections from persons submitting AOS documentation.

Defense Trade Control Fees – The FY 2008 program includes an estimate of \$7,310,000 for Defense Trade Control Registration Fees in accordance with Section 45 of the State Department Basic Authorities Act of 1956, as amended. These fees are available without fiscal year limitation to pay expenses incurred for specified defense trade control license application processing and other functions.

Commercial Services Fees – The FY 2008 program includes an estimate of \$20,000 for fees charged for the cost of providing commercial services at posts abroad in countries where the Department of Commerce does not perform commercial services for which it collects fees. Pursuant to section 52 of the State Department Basic Authorities Act of 1956, as amended, these fee collections are available until September 30 following the fiscal year in which the funds were deposited.

United States Information and Educational Exchange Fees – As authorized by section 810 of the United States Information and Educational Exchange Act, authority is requested to have not more than \$6,000,000 credited to the Diplomatic and Consular Programs appropriation from fees and other payments received from English teaching, library, motion pictures, and publications programs, and from fees from educational advising and counseling and exchange visitor programs.

An accounting of the collections received by the Department of State is provided in the Appendix.

Highlights by Activity

Policy Formulation and Executive Direction (\$409,738,000 from direct appropriations) – Direction, policy formulation, and coordination are provided by the Secretary, the Deputy Secretary, the Under Secretaries, Assistant Secretaries and other bureau heads, chiefs of diplomatic missions, and their immediate staffs. They are assisted by legislative affairs and public affairs staffs who explain to the Congress and the American public the U.S. position on foreign policy issues and interests managed by the Department.

Diplomatic Relations (\$798,921,000 including \$790,812,000 from direct appropriations, \$779,000 from Machine Readable Visa Fees, \$7,310,000 from Defense Trade Control Registration Fees, and \$20,000 from Commercial Services Fees) – The conduct of diplomatic relations involves a wide spectrum of activities including:

- Providing political and economic reporting and analysis.
- Managing U.S. participation in arms control, non-proliferation, disarmament negotiations, and other verification and compliance activities.
- Conducting international economic and trade diplomacy and in-country services to American businesses through incentives such as the North American Free Trade Agreement (NAFTA), the World Trade Organization, and Asia Pacific Economic Cooperation (APEC).
- Promoting human rights internationally, supporting emerging democracies and economic development, improving the global environment, and meeting humanitarian emergencies that destroy political and economic well-being and stability are vital to America's long-term interest.
- Aiding two-way exchanges of information and expert personnel in order to keep abreast of scientific and technological developments abroad.

STATE PROGRAMS

Public Diplomacy (\$364,905,000 including \$358,905,000 from direct appropriations and \$6,000,000 from U.S.I.E.E. fees) – Public diplomacy activities of the U.S. Government (USG) are intended to engage, inform, and influence foreign publics and broaden dialogue between American citizens and institutions and their counterparts abroad. In addition to advocating U.S. policies, public diplomacy communicates the principles that underpin those policies and creates a sense of common interests and values. Public diplomacy information and cultural programs are carried out by overseas missions and supported by personnel in the Department's regional and functional bureaus, particularly the Bureau of International Information Programs. Educational and cultural exchange programs (funded from a separate appropriation) are closely aligned with Public Diplomacy and its strategic objectives. In FY 2000, certain public diplomacy activities formerly carried out by the United States Information Agency were fully integrated into the Department of State pursuant to the Foreign Affairs Reform and Restructuring Act of 1998. Public Diplomacy, within the Department of State, continues to operate under the authority of the Smith-Mundt Act of 1948, as amended, the Fulbright-Hays Act of 1961, as amended, and other statutes.

Consular Relations (\$1,334,450,000 including \$59,558,000 from direct appropriations, \$800,927,000 from MRV fees, \$281,765,000 from Enhanced Border Security Program Fees, \$130,200,000 from the Western Hemisphere Travel Surcharge, \$31,800,000 from Visa Fraud Fees, \$7,500,000 from Diversity Lottery Fees, \$1,500,000 from FBI Fingerprint Fees, and \$21,200,000 from the Affidavit of Support Fee) – The events of September 11 demonstrated the national security need to have a robust and sophisticated system to process persons seeking visas to travel to the United States. Enhanced homeland security measures have caused major increases in the cost of providing consular services and this requirement continues to place a heavy burden on Department of State operations. To help ensure U.S. homeland security, the Department must:

- Conduct a thorough screening of all non-immigrant visa applicants. Non-immigrant visa requests from foreign tourists, students, business people, investors, and government officials undergo a rigorous adjudication process at missions abroad. In FY 2006, over 7.7 million persons applied for non-immigrant visas. The State Department expects that demand for non-immigrant visa services will grow to 8.1 million in FY 2007 and 8.6 million in FY 2008.
- Perform a comprehensive screening of all immigrant visa applicants. Immigrant visa requests undergo a rigorous adjudication process by Consular Officials overseas. In FY 2006, about 744,000 applied for immigrant visas. This workload is expected to remain at the same level in FY 2007 and FY 2008.
- Provide routine and emergency assistance to American citizens in distress. In FY 2007 and FY 2008, the Department projects that it will respond to 2 million citizen services requests worldwide each year.
- Keep American travelers and the U.S. travel industry aware of dangerous situations abroad through Consular Information Sheets, Travel Warnings, and helpful tips to travelers through the Consular Affairs World Wide Web Site available at the Internet Web address: <http://travel.state.gov>.
- Adjudicate passport applications and either issue or deny passports for U.S. citizens intending to travel abroad. In FY 2006, passport demand was over 12.3 million applications, with workload expected to grow to 16.2 million applications in FY 2007 and at least 19.5 million in FY 2008.

The worldwide Border Security Program supports all areas of the President's Management Agenda through programs within Consular Relations, Diplomatic Security/Law Enforcement Cooperation, Information Resource Management, and Training. These cross-cutting programs are required to secure the U.S. borders against terrorists, international criminals, or persons whose presence in the United States would violate U.S. immigration law. Border Security plans include continuing to enhance and refresh the equipment and systems that support worldwide consular activities. Plans also include modernizing the hardware and software systems that support visa name checks, operating the Border Crossing Card program in Mexico, implementing biometric collection from visa applicants, strengthening cooperation between the consular and U.S. law enforcement and intelligence communities, enhancing American Citizen Services, and providing for the staff and operating costs of the Border Security Program. The Border Security Program

STATE PROGRAMS

relies on dedicated funding from increased MRV fees and, increasingly, on the Enhanced Border Security Fees and other surcharges.

Supporting Multilateral Diplomacy (\$51,025,000 from direct appropriations) – The United States participates in international organizations because the United States has an interest in working with other nations to maintain stability, uphold laws, facilitate commerce, spur economic growth, maintain a healthy environment, address urgent humanitarian needs, and halt the spread of weapons of mass destruction. Organizations in which the Department plays a leading role include the United Nations, regional bodies such as NATO and the Organization of American States, and a variety of more specialized and technical organizations. The Department monitors and participates in these organizations through both its headquarters staff and its missions to the larger organizations. The increasingly complex nature of world problems makes U.S. involvement in these multilateral organizations even more important to our future. This includes funding for State Department participation in international conferences.

Diplomatic Security/Counter-Terrorism/Worldwide Security Upgrades (\$1,251,769,000 including \$1,222,268,000 from direct appropriations and \$29,501,000 from MRV fees) – These activities provide resources, allocated by application of risk management principles, necessary to meet security responsibilities, both foreign and domestic. Included in these activities are:

- Protection of overseas U.S. government employees through local guards, technical security measures, residential security measures, and armored vehicles;
- Protection of the Secretary and visiting or resident foreign dignitaries;
- Counter-terrorism policy formulation, coordination, and research and development as well as investigations to detect passport, visa, and federal benefits fraud;
- Management of security operations at missions;
- Protection of information at headquarters through domestic guards and physical security equipment and measures;
- Protection of information abroad through diplomatic couriers, electronic and security equipment, secure conference rooms, development and application of standards for information security, and security protection and inspection of construction property; and
- Counterintelligence investigations, background security investigations, and evaluations.

The State Department is the lead agency in USG efforts to reduce the terrorist threat to Americans overseas. The Department works closely with other governments to strengthen international counterterrorism cooperation, sends expert teams to augment U.S. embassies in crisis situations, and works to eliminate physical security vulnerabilities at our diplomatic missions.

Information Resource Management (\$848,185,000 including \$509,311,000 from Diplomatic and Consular Programs, \$70,743,000 from the Capital Investment Fund, \$25,129,000 from MRV fees, and \$243,002,000 from Expedited Passport Fees) – This program provides the resources for the effective and efficient creation, collection, processing, transmission, dissemination, storage, and disposition of information required for the formulation and execution of foreign policy and for the conduct of daily business including consular services. The information needs of the President, the Secretary of State, the Department, its overseas missions, and approximately 100 other government organizations drive the resource requirements. This activity includes:

- Corporate information systems and services such as core foreign affairs systems supporting the Secretary and principal officers; consular systems for passport and visa issuance and reporting; financial systems; administrative systems for personnel and property; and information services provided by Departmental libraries and publishing, records, Freedom of Information Act, and historical offices;
- Infrastructure systems such as the Diplomatic Telecommunications System; mainframe computer centers; Automated Data Processing, communication and message centers at headquarters and at

STATE PROGRAMS

missions abroad; mail and pouch services; and special communications support for the Secretary and the White House at meetings abroad; and

- Development and maintenance of software and hardware for classified and unclassified word processing, electronic mail, spreadsheets, graphics, and data base management.

Training Services (\$138,713,000 including \$133,099,000 from direct appropriations and \$5,614,000 from MRV fees) – Investments in training are vital to a changing and streamlining organization. Training programs provide the language, area, information technology, consular, and other professional skills needed for the conduct of foreign relations. The Department's training program is the principal responsibility of the Foreign Service Institute, which has an innovative training strategy designed to support directly new and emerging policy and management priorities.

Medical Services (\$29,087,000 from direct appropriations) – The Medical Program promotes the health of all under its care by encouraging prevention of illness and facilitating access to health care. This activity encompasses medical programs for the Department of State and the Foreign Service as well as other USG departments and agencies overseas. Approximately 31,000 employees and their eligible family members receive medical care at about 190 overseas health units overseas and in Washington, DC.

Rental Payments to GSA (\$159,827,000 from direct appropriations) – GSA finances its real property management activities through user charges, set at commercially comparable rates, collected from agencies occupying GSA-controlled properties. This funding provides payment for domestic space occupied by the Department.

Overseas Program Support (\$634,874,000 from direct appropriations) – This activity includes administrative activities at more than 260 posts abroad, such as overseas administrative support for over 100 USG organizations; personnel and financial management services; and short-term lease property management and building maintenance staff, shipping and customs clearance, and motor pool services.

Domestic Infrastructure and Program Support (\$450,678,000 from direct appropriations) – This activity includes the infrastructure located in the United States that is dedicated to the administrative support of U.S. diplomatic activities and other USG agencies overseas, such as domestic personnel and financial management services, domestic building operations and routine maintenance, acquisition services, and other general administrative services.

Post Assignment Travel (\$133,418,000 from direct appropriations) – Post Assignment Travel funds the cost of travel, transportation, and related items in connection with the appointment, transfer, and separation of the Department's American full-time permanent staff and their families. The Department's general tour of duty policy (with some exceptions) is three years at most overseas posts, and two years at posts with extreme hardship conditions.

STATE PROGRAMS

Funds *Resource Summary* (\$ in thousands)

Activities	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Policy Formulation	348,229	363,084	409,738
Conduct of Diplomatic Relations	699,596	722,261	798,921
Public Diplomacy	340,734	335,734	364,905
Conduct of Consular Relations	979,435	1,172,402	1,334,450
Multilateral Diplomacy	48,286	48,474	51,025
Diplomatic Security/Counterterrorism /Worldwide Security Upgrades	1,005,160	1,065,550	1,251,769
Information Resource Management	780,222	794,950	848,185
Training Services	113,038	114,415	138,713
Medical Services	26,473	27,366	29,087
Rental Payments to GSA	138,668	154,891	159,827
Overseas Program Support	578,483	576,664	634,974
Domestic Infrastructure and Program Support	437,126	435,374	450,678
Post Assignment Travel	130,532	129,830	133,418
Supplemental: Iraq Operations	1,327,275	0	0
Total	6,953,257	5,940,995	6,605,690

STATE PROGRAMS

Positions Resource Summary

Activities	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Policy Formulation	2,053	2,068	2,092
Conduct of Diplomatic Relations	3,944	4,009	4,143
Public Diplomacy	2,671	2,672	2,672
Conduct of Consular Relations	3,935	3,941	4,063
Multilateral Diplomacy	309	297	297
Diplomatic Security/Law Enforcement Cooperation/Worldwide Security Upgrades	2,847	2,953	3,005
Information Resource Management	2,003	1,991	1,991
Training Services	602	602	706
Medical Services	75	75	75
Overseas Program Support	1,068	1,107	1,107
Domestic Infrastructure and Program Support	1,998	1,974	1,974
Total	21,505	21,689	22,125

STATE PROGRAMS

Highlights of Budget Changes

(\$ in thousands)

	Diplomatic and Consular Programs	Worldwide Security Upgrades	Capital Investment Fund	Total
FY 2006 Actual (1)(2)(3)(4)(5)	4,961,443	730,816	126,625	5,818,884
FY 2007 Current Estimate (6)	3,664,914	795,170	101,086	4,561,170
Current Services				
Base Adjustments	33,104	45,971	(30,343)	48,732
Iraq Operating Base	65,000	0	0	65,000
Base Adjustment	(31,896)	45,971	(30,343)	(16,268)
Annualization of FY 2007 Requirements	31,701	2,204	0	33,905
Annualization of 2007 Cost of Living Adjustment, Hiring, Benefits	19,684	1,339	0	21,023
FY 2008 Two Additional Work Days	12,017	865	0	12,882
Anticipated FY 2008 Wage Requirements	59,465	4,827	0	64,292
FY 2008 American Cost of Living Adjustment	33,637	4,827	0	38,464
Foreign Service National Wage Increases	25,828	0	0	25,828
Anticipated FY 2008 Price Requirements	36,627	38,544	0	75,171
Overseas Inflation	17,024	0	0	17,024
Local Guard Program and Other Global Inflation	0	34,766	0	34,766
Domestic Price	12,105	2,121	0	14,226
GSA Rent	4,531	0	0	4,531
Domestic Guard Program Inflation	1,710	1,657	0	3,367
Medical Inflation	459	0	0	459
Workers Compensation	798	0	0	798
Total, Built-In Changes	160,897	91,546	(30,343)	222,100
Program Changes				
Transformational Diplomacy	123,684	1,144	0	124,828
Training Enhancement	20,821	0	0	20,821
Reconstruction and Stabilization	14,586	0	0	14,586
Repositioning Global Presence	39,893	0	0	39,893
Foreign Service Modernization	33,384	1,144	0	34,528
Public Diplomacy	15,000	0	0	15,000
Security	19,645	76,900	0	96,545
Protection of Personnel and Facilities	0	53,400	0	53,400
Soft Target Strategy Including Training	0	23,500	0	23,500
Secure Facilities Operations	19,645	0	0	19,645
Intelligence and Research	6,300	0	0	6,300

STATE PROGRAMS

	Diplomatic and Consular Programs	Worldwide Security Upgrades	Capital Investment Fund	Total
Olympic Games Support in China	2,500	0	0	2,500
Total, Program Changes	152,129	78,044	0	230,173
FY 2008 Request	3,977,940	964,760	70,743	5,013,443

STATE PROGRAMS

Explanation of Current Estimate

The FY 2007 estimate for State Programs appropriations of \$4,561,171,000 consists of the following amounts:

- \$3,664,914,000 estimated for Diplomatic and Consular Programs (D&CP) Ongoing Operations.
- \$795,170,000 estimated for Worldwide Security Upgrades (WSU).
- \$34,319,000 estimated for the Capital Investment Fund and \$66,768,000 estimated for the Centralized Information Technology Modernization Program.

Explanation of FY 2008 Base Adjustments and Built-In Changes

The net increase for FY 2008 base adjustments and built-in changes is \$222,099,000. This amount provides for the base adjustments detailed below, the anticipated 2.2 percent American pay increase, and overall FSN wage increases of 3.9 percent consistent with anticipated rates of overseas consumer price inflation, as well as a 1.04 percent increase for domestic inflation and an overall average 3.8 percent increase for overseas non-wage inflation. The details are as follows:

Base Adjustments and Annualization of FY 2007 Requirements: \$82,636,000

This amount reflects the full-year cost of the following:

- Iraq Base Operations: \$65,000,000. This funding will establish a funding base for FY 2008 within the regular Diplomatic and Consular Programs appropriation for core embassy functions within the U.S. Mission, Baghdad. The Supplementals section of this volume includes requests for additional FY 2007 and FY 2008 funding for Iraq Operations.
- Base Adjustments: -\$16,269,000. This amount represents the net of the following adjustments. -\$31,896,000 to adjust Diplomatic and Consular Programs to FY 2006 operational level; \$45,971,000 to adjust Worldwide Security Upgrades for FY 2006 operational level including use of one-time supplemental sources; and -\$30,344,000 to adjust the funding sources for the Information Technology Central Fund including a decrease in requested direct appropriations offset by an increase in the request for Expedited Passport Fee spending authority.
- FY 2007 American Cost-of-Living Adjustment, Hiring, and Benefits: \$21,023,000 (\$19,684,000 for D&CP and \$1,339,000 for WSU). Additional funding is required to annualize the FY 2008 cost of the 2007 American Pay Raise and the annualization of the Department's cost of benefits increases during 2007.
- FY 2008 Two Additional Work Days: \$12,882,000 (\$12,017,000 for D&CP and \$865,000 for WSU). Additional funding is required for two additional work days in FY 2008.

Anticipated FY 2008 Wage Requirements: \$64,292,000

This amount is required for the following anticipated wage increases during FY 2008:

- American Cost-of-Living Adjustment: \$38,464,000 (\$33,637,000 for D&CP and \$4,827,000 for WSU). This amount reflects the anticipated 2.2 percent general American cost-of-living increase in FY 2008.

STATE PROGRAMS

- FSN Wage Increases: \$25,828,000. This increase includes FSN salary adjustments consistent with local prevailing wage rates, needed to keep the Department competitive with other foreign countries' embassies and private firms in order to retain competent staff and to comply with local law, as required.

Anticipated 2008 Price Requirements: \$75,171,000

This amount is required for the following anticipated price increases during FY 2008:

- Overseas Price: \$17,024,000 (D&CP). This amount will fund an estimated average 3.8 percent increase in overseas utilities, supplies, and contractual services. The rates of overseas inflation are generally higher than experienced in the United States. Overseas posts purchase a relatively large proportion of items and services on the local economies which trend toward greater price increases for items such as utilities, communications, security, and information services and equipment.
- Local Guard Program and Other Global Inflation: \$34,766,000 (WSU). This amount represents the overseas wage and price increases including those required to maintain the Department's contracts for local guard services at overseas posts.
- Domestic Price: \$14,226,000 (\$12,105,000 for D&CP and \$2,121,000 for WSU). This amount will fund an estimated 1.02 percent increase in domestic inflation for items such as:
 - GPO and other printing services;
 - Travel and per diem costs;
 - Transportation of equipment and other items;
 - Rents, communications, and utilities;
 - Leasing, service, and maintenance costs primarily in the Department's information management programs;
 - Payments for transit subsidy;
 - Supplies and materials; and
 - Equipment purchases.
- GSA Rental Payment: \$4,531,000. This increase results from estimated increases in rental rates for buildings occupied by the Department.
- Domestic Guard Inflation: \$3,367,000 (\$1,710,000 for D&CP and \$1,657,000 for WSU). This amount will fund the estimated increase required for domestic guard services.
- Medical Inflation: \$459,000. This amount represents the price increase required for medical supplies and services worldwide.
- Workers Compensation: \$798,000. Funding is required to support the increase in the Department's bill from the Department of Labor for Worker's Compensation payment.

FY 2008 Program Increases

Transformational Diplomacy – 254 Positions and \$124,828,000

Training Enhancement: 104 positions and \$20,821,000

To meet the challenges of transformational diplomacy, the workforce of the Department of State must be diverse, well-rounded, agile, and able to carry out multiple tasks. Transformational diplomacy requires having the right people with the right skills in the right place at the right time. Even more than in the past, this means often putting State personnel in more dangerous and less developed locations, affecting employees and their families personally and professionally. The Department will expand and improve

STATE PROGRAMS

training and career development programs to prepare employees better and develop their expertise under the following multi-faceted training enhancement program:

- Language proficiency – the cornerstone to success: Increased proficiency and levels of proficiency, particularly in critical need languages; language proficiency within the Specialist corps to meet vital mission requirements (48 positions).
- Comprehensive professional skills continuum: In-house training as well as interagency experience to ensure that employees are fully prepared for various global contingencies (46 positions).

Key program components include:

- Training personnel for new mission requirements using the new Career Development Program e.g., regional expertise in two areas, assignments outside of functional specialty, and enhanced language proficiency throughout career.
- Interagency Executive Seminars: Continuing series of interagency executive seminars for the whole security community to support interagency cooperation and coordination.
- Expanding cooperation and cross-assignments with the Department of Defense and USAID.
- Civil Service professional development: Expanded opportunities for professional development through assignments abroad, on-going training, and rotational assignments (10 positions).

Of particular importance is the need to increase the number of fully language-capable officers. State personnel must have the language skills to actively engage and persuade skeptical foreign audiences, interact successfully with sometimes hostile foreign media, and elicit, firsthand, sensitive information from foreign contacts in the government, private sector and other interlocutors. Personal interaction is the cornerstone of the transformational diplomacy initiative and is vital in places where America faces the greatest challenges and dangers.

Reconstruction and Stabilization: 57 positions and \$14,586,000

The Office of the Coordinator for Reconstruction and Stabilization (S/CRS) has a mandate to lead, coordinate, and institutionalize USG civilian capacity to prevent or prepare for post-conflict situations, and to help stabilize and reconstruct societies in transition from conflict or civil strife. S/CRS coordinates interagency capacity and interoperability for Washington management of post-conflict operations. S/CRS's core mission is in those efforts that require engagement of all components of the USG.

S/CRS initiates deployment of people to reconstruction and stabilization efforts through preexisting arrangements with partner agencies, internal surge capacity and reserve structures. When needed, teams would begin immediately to: plan at the relevant Regional Combatant Command, deploy with military in integrated interagency embedded teams, lead initial assessments in the field, provide Embassy support (or form the core of new mission HQ), and manage surge from State and other agencies and the private sector.

An increase of 57 positions will enable S/CRS to lead interagency efforts in international crises and conflicts in situations requiring the response of multiple USG agencies, thus enhancing the Department's capability for deploying civilian field teams to targeted countries, reach-back support to these deployed personnel, and providing sectoral expertise in conflict transformation capabilities associated with reconstruction and stabilization efforts. These positions will allow us to expand our existing Active Response Corps, a key component of a civilian mobilization mechanism for rapid, efficient, and successful

STATE PROGRAMS

response to crises and conflict situations. When deployed, mobilized officers could perform the following tasks: augment or establish Embassy operations; assess the spectrum of political, security, humanitarian, and reconstruction needs; lead integrated interagency civilian field teams during a stabilization and reconstruction operation with or without support from military forces (when security permits); develop relations with transitional governments and other political actors; coordinate with the U.S. military; liaise with international organizations and NGOs on the ground, and advise on, assess, and initiate interagency R&S programs.

Repositioning America's Global Diplomatic Presence: 93 positions and \$39,893,000

The Department has a long-term, comprehensive blueprint for more robust and proactive engagement of a truly global nature. The workload continues to expand as American diplomats are confronted with an ever-increasing host of international problems that affect America's security and domestic welfare, from financial crises to global environmental challenges, AIDS, terrorism, human trafficking, and the spread of weapons of mass destruction. These foreign policy problems and opportunities are also national security challenges, and America's representatives must be fully prepared to meet them. The Department has begun a phased repositioning of existing resources to shift its diplomatic posture to transition states and other countries key to the objectives of transformational diplomacy, but this internal redistribution addresses only a portion of the staffing requirements. In order to meet foreign policy priorities and objectives, achieve the Department's strategic goals, and fully support the U.S. Government presence overseas, 73 new positions are needed in FY 2008 to meet workload increases documented in the Department's Overseas Staffing Model and in response to staffing requirements in Iraq.

In addition, 20 new positions are needed for the deployment of Foreign Service Officers outside of capital cities and traditional diplomatic locations. To better meet and respond to the challenges associated with Transformational Diplomacy, the United States must be represented in more places, and more creatively, to demonstrate a commitment to partnership. There are nearly 200 cities worldwide with populations over one million in which the United States has no formal diplomatic presence. These cities are provincial centers, trade centers, and opinion centers. The Department plans to expand America's diplomatic presence to more of these cities by establishing new American Presence Posts (APP) in key nations.

APPs are streamlined, special purpose diplomatic posts that give the USG additional flexibility in pursuing national interests. These posts are normally staffed by one or two Foreign Service Officers who live and work outside the capital, in key regional population centers. The officers, supported by a few Foreign Service Nationals, engage in public diplomacy, outreach, and the promotion of American commercial and strategic interests. These officers build and maintain close contact with local government officials, media, opinion leaders, U.S. businesses, and the resident American community. This requested funding will support twenty new American positions, start-up, and operating costs for additional APPs. Additional funding has been requested in the Worldwide Security Upgrades and Embassy Security, Construction, and Maintenance accounts to fund the security and leasehold and fit-out costs respectively.

Foreign Service Modernization: \$34,528,000

The requested funding of \$34,528,000 (\$33,384,000 in Diplomatic and Consular Programs and \$1,114,000 in Worldwide Security Upgrades) supports the first step of transition to a performance-based pay system and global rate of pay for Foreign Service personnel grade FS-01 and below. The Foreign Service Modernization legislative pending proposal would amend Section 406 of the Foreign Service Act (22 U.S.C. 3966) to eliminate longevity-based pay increases and institute a strictly pay-for-performance system similar to that instituted for the Senior Foreign Service in P.L. 108-447. The proposal would establish a global rate of pay for the Foreign Service to attract and retain a labor market for worldwide-available personnel, based on the needs of the Service, consistent with other pay systems with similar worldwide

STATE PROGRAMS

availability requirements. This global rate addresses the increasing pay disincentive to overseas service from the loss of locality based payments under 5 USC 5304. The Modernization proposal would equalize the Foreign Service global rate at the Washington, D.C. rate, including locality pay, over two years. The requested funding supports the first step of this transition. Additional funding will be required in FY 2009 and FY 2010 to fully close the gap, in order to begin a new pay-for-performance system effective April 2009, under a uniform global rate pay system.

Public Diplomacy: \$15,000,000

As the United States strives to work with partner nations around the world to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system, outreach to foreign publics is critical. The Department has developed a strategic Public Diplomacy framework that has three key objectives: (1) to offer a positive vision of hope that is rooted in America's freedom agenda; (2) to isolate and marginalize extremists and undermine their attempts to appropriate religion; and (3) to foster a sense of common interests and values between Americans and people of different countries, cultures, and faiths.

An increase of \$15,000,000 is requested to support these three objectives through a focused effort developed by an interagency group and designed to counter violent extremism in several strategic countries. This effort emphasizes that winning the war of ideas is essential to winning the war on terror. It will utilize current effective programs as well as innovative approaches to countering ideological support for terrorism. The objectives include promoting democratization and good governance, engaging Muslim communities, undermining the idea that the West is at war with Islam, de-legitimizing terror, and isolating and discrediting terrorist leaders and organizations.

Security – 52 Positions and \$96,545,000

Worldwide Security Upgrades: 52 positions and \$76,900,000

(See separate justification in Worldwide Security Upgrades section.)

Secure Facilities Operations: \$19,645,000

The Department requests \$19,645,000 to fund start-up costs and additional operational expenses associated with opening and operating new embassy compounds, offices and annexes. In FY 2008 new buildings will come on line in Khartoum, Kigali, Skopje, Mumbai, Bogota, Ciudad Juarez, Quito, Beijing, and Berlin. Larger and more technologically sophisticated than earlier constructed facilities, these new security conscience complexes require specialized furnishings and equipment for startup and routine operations, in addition to the actual moving costs incurred relocating into any new facility. Additional utility, supply and contract costs related to sophisticated fire protection, ventilation, and water treatment systems and the skilled staff to operate them, result in higher operation costs compared to the prior facilities. These funds are required for one-time costs of new maintenance equipment and for increased utility, staff, and operating costs of these new, technically advanced buildings.

Intelligence and Research – 8 Positions and \$6,300,000

Additional positions and funds are requested to enhance the operations of the Bureau of Intelligence and Research. This increase will augment the bureau's analytic staff in key areas such as terrorism, China,

STATE PROGRAMS

and Iran, and will strengthen the bureau's Humanitarian Information Unit, enhancing its ability to produce intelligence on critical humanitarian issues such as food security, health, and migration issues. These funds will also be used to enhance management of open-source activities and improve sharing of open-source intelligence among the foreign affairs and intelligence communities, and to augment the more timely and efficient electronic dissemination of intelligence to diplomatic customers by providing electronic connectivity at the desktop. In addition, the Department will strengthen its foreign public opinion survey program, adding surveys that will focus on Sub-Saharan Africa (emerging democracies, Muslim minorities, and factors that influence opinion of the U.S.); Muslim minorities in Western Europe; global views of China; and democracy promotion in Russia, Ukraine, Kyrgyzstan, Georgia, Azerbaijan, and Kazakhstan.

Olympic Games Support in China – \$2,500,000

This increase of \$2,500,000 will fund extraordinary costs associated with the 2008 Olympics Games, which will be held in Beijing, China. As with previous Olympic Games held outside the United States, the Department must ensure the safety of U.S. athletes, spectators, high level delegations, and commercial investors. In a climate of increased concerns about international terrorism, ensuring the protection of U.S. interests at future Olympic Games overseas will continue to be a priority for the United States, and the Department of State must be the lead in the coordinated efforts of the Federal Government. These costs include support staff, lodging, and office space as well as security and other general services operations required for achieving these objectives.

WORLDWIDE SECURITY UPGRADES

Resource Summary

(\$ in thousands)

Appropriations	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Staff	1,256	1,306	1,358
Funds	730,816	795,170	964,760

Overview

The Worldwide Security Upgrades (WSU) Program provides core funding for the protection of life, property, and information of the Department of State. The Department must address threats against U.S. personnel and facilities worldwide. The 1998 attacks on the U.S. Embassies in Africa were the first targets of a new kind of terrorism. The U.S. National Security Strategy emphasizes the need for Transformational Diplomacy, actively promoting freedom and human dignity through effective democracy.

WSU funding supports a worldwide guard force protecting overseas diplomatic missions and residences and domestic facilities. Security staffing of more than 1,300 personnel are deployed worldwide to protect U.S. staff and facilities. The protection of national security information and the integrity of the Department's network of information systems are also supported through this account. The Department is also the lead federal agency in the development of a national strategy to combat visa and passport fraud.

The FY 2008 request is summarized in the following table:

(\$ in thousands)			
Activities	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Ongoing Security Activities	680,716	795,170	886,716
Guards - Worldwide Protection	259,930	315,784	387,359
Physical Security/Protective Equipment	82,987	87,185	89,148
Technical Support/Infrastructure	82,513	89,127	94,906
Information/Systems Security	51,880	56,039	58,915
Armored Vehicles	22,143	23,918	25,114
Personnel/Training	173,161	214,366	222,085
Radio Program	8,102	8,751	9,189
Afghanistan Security Supplemental	50,100	0	0
Security Initiatives	0	0	78,044
Soft Target Strategy	0	0	23,500
Protection of Life & Facilities	0	0	53,400
Foreign Service Modernization			1,144
Total, Worldwide Security Upgrades	730,816	795,170	964,760

WORLDWIDE SECURITY UPGRADES

Maintaining Ongoing Security Activities: \$886,716,000

The amount required to maintain ongoing activities is \$886,716,000, which reflects an increase of \$91,546,000. This request includes \$45,575,000 to address FY 2007 annualizations and FY 2008 anticipated wage and price increases and a \$45,971,000 base adjustment to regularize security operations that were temporarily funded through recoveries from the original embassy bombing supplemental appropriation, which will be depleted by mid-FY 2007. This funding supports ongoing core functions for the worldwide local guard program, security technology, and diplomatic couriers.

Soft Target Strategy: \$23,500,000

The Department has embarked on a program of securing and reducing risk to U.S. overseas personnel through briefings and skill-based training. Over 5,000 employees, family members, and the overseas U.S. business community are briefed annually in security seminars designed to address personal protection measures and concerns. This additional funding will support increased training for personnel in critical threats posts worldwide, as well as distance learning courses for individuals residing overseas. The funding will also support expanded dissemination of threat information through increased operations of the Overseas Security Advisory Council (OSAC), and support costs for security operations at the 2008 Beijing Olympics.

The request addresses potential vulnerabilities identified in the Government Accountability Office's study, especially for the protection of Americans under Chief of Mission authority outside the mission. The major components of this request are:

- Residential security upgrades at high and critical threat posts, quick reaction forces to respond to potential threats, and cameras to monitor residences.
- Expansion of training to support Transformational Diplomacy, to include distance learning, defensive driving, firearms familiarization, and medical skills.
- U.S. security operations undertaken in conjunction with the 2008 Beijing Summer Olympics and planning for the 2010 Vancouver Winter Olympics. Security resources for these Olympics will enhance protection for U.S. athletes and disseminate threat information to American citizens and U.S. corporate sponsors participating in the Games.

Protection of Life and Facilities: 52 positions and \$53,400,000

Today, U.S. diplomatic facilities face significant and increasing threats. The U.S. presence overseas requires facilities that balance the need for an effective level of security with the ability to carry out U.S. foreign policy, including promoting democracy. This effort will require a renewed commitment to secure, modernize, and rehabilitate all diplomatic posts. During the past two years, U.S. Mission personnel and facilities have been the subject of improvised explosive device attacks, suicide bombers, and commando-style terrorist assaults. In an age of coordinated attacks and instant news, command awareness and timely response are essential. The Department requires a balance of the need for a high level of security with the ability to promote democracy and U.S. foreign policy. Major components of this request are:

- Creation of a secure environment for American Presence Posts to be established worldwide in FY 2008.
- Establishment of an Armored Vehicle Lifecycle Replacement program for vehicles acquired with supplemental funding in FY 2001 and 2002. The Department has analyzed threat environments to validate the need to replace some 750 of these vehicles over the next five years.
- Regional Security Officer Support: Forty-five Special Agents and seven support personnel will increase protection for U.S. Government personnel and American citizens at diplomatic missions

WORLDWIDE SECURITY UPGRADES

overseas. These personnel are required to respond to increased threat levels and rapidly changing terrorist tactics.

Foreign Service Modernization: \$1,144,000

The requested funding will support transition to a global performance-based pay system for Foreign Service personnel grade FS-01 and below as described in the Transformational Diplomacy Initiative section. The Foreign Service is unique, and due to frequent rotation of assignments, the domestic pay system established by 5 USC 5304 does not address the concerns for worldwide-available Foreign Service personnel. If authorized, \$1,144,000 will be required for salaries paid from this account in addition to the Foreign Service Modernization funding requested under State Programs.

Strategic Context

Major Strategic Goal	\$ in Thousands	Performance Goals	\$ in Thousands	Initiatives/Programs
Strengthen Diplomatic and Program Capabilities	\$836,146	Diplomatic Security	\$716,428	Worldwide Protection
			\$33,999	Cyber and Sensitive Information Security
			\$8,694	Personnel Clearances
			\$12,189	Training and Competence
			\$64,836	Technology and Infrastructure Support
Achieve Peace and Security	\$128,614	Homeland Security	12,550	Visa and Passport Fraud Investigations and Rewards for Justice Program
		Regional Stability	\$88,564	Afghanistan, Support for Conflict Resolution and Reconstruction
		American Citizens Protection	\$27,500	Soft Targets, International Events

Program Description

The WSU Program supports the Department's performance goals for diplomatic security, regional stability, assistance to American citizens conducting business and living overseas, and Homeland Security. Key initiatives and programs are described below:

Performance Goal: Diplomatic Security

Worldwide Protection, including Facilities and Physical Security Measures: The FY 2008 request represents a full re-evaluation of requirements for the protection of life and facilities and of personnel support, including the protection of 260 overseas and 100 domestic facilities and over 50,000 persons under Chief of Mission authority. Major improvements considered in this request include:

- Strengthening the Regional Security Officer program worldwide;
- Increased local guard presence at embassies and residences worldwide and lifecycle improvements of mission safe-haven facilities;

WORLDWIDE SECURITY UPGRADES

- Lifecycle replacement programs for many categories of physical facility measures and equipment, including vehicle barriers, agent bulletproof vests, and local guard force equipment;
- Expanded use of key technologies, such as the expanded implementation of alarms, security cameras, and lock-and-leave facilities worldwide;
- Increased travel and resources for emergency support to fortify missions temporarily in emergencies;
- Protection of new missions, such as new American Presence Posts; and
- Strengthening Diplomatic Security (DS) Command Center operations to ensure optimal 24/7 support to posts worldwide.

Cyber Security and Sensitive Information Security: The Department is responsible for safeguarding national security information, including the integrity of the Department's worldwide network of information systems. With the rise of malicious cyber activity attempting to gather intelligence and launch attacks, the Department must be prepared to defend against the thousands of probes and scans launched against sensitive networks. The information security program coordinates cross-cutting national requirements for the implementation of emergency preparedness response and infrastructure protection measures. The FY 2008 request includes resources to address increases in cyber security threats and to fortify the Regional Computer Security Officer program to strengthen controls over information security at posts.

Personnel Clearances: The number of security clearance investigations performed by the Department has increased in recent years, and comparable growth is expected into FY 2008 and beyond. Consistent with the Intelligence Reform and Terrorism Prevention Act, the Department is required to reduce the time necessary to perform overseas investigations on behalf of all federal agencies.

Training and Competence: The FY 2008 request includes funds for specialized training for DS Special Agents on safety equipment and the operation of new intrusion detection systems. Training will also be provided to all U.S. personnel overseas on security threats and techniques used by terrorists and defenses against them.

Technology and Infrastructure Support: The FY 2008 request includes funding to make effective use of technologies in protection efforts. Examples are the Security Management System enterprise (SMSe) and Blue Force Tracker. SMSe is a worldwide network designed to link cameras, alarms, and access control systems at posts to allow real-time monitoring from the DS Command Center. Blue Force Tracker provides identification, location, and tracking information of users in theater.

WORLDWIDE SECURITY UPGRADES

Initiative/ Program	Diplomatic Security	
Description	Worldwide protection of life and property at Department of State domestic and overseas facilities	
Indicator	Worldwide protection of life and property at Department of State domestic and overseas facilities	
Targets	FY 2008	<ul style="list-style-type: none"> • Implement phase 1 of new standards for worldwide protection, including guard coverage, strengthened soft target support, lifecycle replacement of physical facility equipment, and technical requirements. • Support Administration initiatives, such as the protection of special envoys in high conflict areas, such as the Middle East. • Cover volume increases in the protection of information, including cyber security and security clearances. • Strengthen training programs and implement refresher/new threats training.
	FY 2007	<ul style="list-style-type: none"> • Implement phase 1 of new standards for worldwide protection, including guard coverage, lifecycle replacement of physical facility equipment, and technical requirements. • Provide security for the Secretary of State without negative impact to other areas. • Cover volume increases in the protection of information, including cyber security and security clearances. • Strengthen training programs and implement refresher/new threats training.

Performance Goal: Homeland Security

Border Protection: The FY 2008 request responds to a mandate from the Intelligence Reform and Terrorist Prevention Act of 2004 to develop a global strategic plan that targets and disrupts those individuals and organizations involved in the fraudulent travel documents, with an emphasis on individuals and organizations that may have links to terrorist organizations. The strategic plan will enhance the Department's global capacity to combat terrorist travel through additional investigative assets overseas, further strengthening of the Department's criminal intelligence and analytical capabilities, expanding training assistance to foreign partners in travel document fraud, and proactively protecting the integrity of the U.S. visa and passport process.

WORLDWIDE SECURITY UPGRADES

Initiative/ Program	Diplomatic Security	
Description	Strengthen the Border Protection of the U.S. in response to the Intelligence Reform and Terrorism Prevention Act (IRTPA) of 2004, section 7218	
Indicator	Indicator #1: The ability of the U.S. Government and other countries to effectively combat terrorist travel	
Targets	FY 2008	<ul style="list-style-type: none"> • Strengthen the capability of the Department's criminal intelligence and analysis to better combat terrorist travel in coordination with other U.S. Government agencies and foreign governments. • Enhance the Department's ability to proactively identify and remedy vulnerabilities in the U.S. visa and passport fraud processes. • Increase the number of arrests for travel document fraud by foreign police in cooperation with the DS overseas criminal investigators by 12% (approximately 525 arrests). • Increase the number of personnel overseas (e.g., foreign police and security, airport staff, U.S. Mission personnel) trained in travel document fraud by 10%.

Performance Goal: Regional Stability

Initiative/ Program	Regional Stability	
Description	Security support to U.S. diplomatic efforts in high conflict areas such as Afghanistan, Haiti, Sudan, and Gaza.	
Indicator	Indicator #1: Ability of U.S. Government to Continue to Operate in High Conflict Environments	
Targets	FY 2008	Continue operations in Afghanistan and support to Special Diplomatic Envoys and national priority conflict resolution/reconstruction efforts.
	FY 2007	Continue operations in Afghanistan and support to Special Diplomatic Envoys and national priority conflict resolution/reconstruction efforts.

Performance Goal: Assist American citizens to travel, conduct business, and live abroad securely.

Soft Targets: The FY 2008 budget request includes funding to strengthen threat information dissemination to the private sector, especially those conducted by the OSAC. The request also considers evaluation of the security framework and advance security costs for the 2008 Beijing Olympics.

WORLDWIDE SECURITY UPGRADES

Initiative/ Program		Assist American citizens to travel, conduct business, and live abroad securely	
Description	Disseminate information about threats to the American private sector and create a more secure environment for public events with a significant volume of Americans		
Indicator	Indicator #1: Number of constituents and web page hits		
Targets	FY 2008	Increase the number of constituents and associates by 200 and web page hits by 5% over FY 2007.	
	FY 2007	Increase the number of constituents and associates by 200 and web page hits by 5% over FY 2006.	
Indicator	Indicator #2: Major events		
Targets	FY 2008	Provide protection enhancements during the 2008 Beijing Olympics. Initiate security planning for Vancouver 2010 Winter Olympics.	
	FY 2007	Validate security of the Pan American Games and provide security coordination for the 2008 Beijing Olympics.	

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IT CENTRAL FUND

Resource Summary

(\$ in thousands)

Appropriations	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Request
Capital Investment Fund	58,143	34,319	70,743
Centralized IT Modernization	68,482	66,767	-
Expedited Passport Fees	153,489	188,416	243,002
Total, IT Central Fund	280,114	289,502	313,745

FY 2006 Actuals reflect the rescission of 0.28% provided through the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (P.L. 109-108) and the general rescission of 1.0% provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B).

FY 2007 Estimates reflect the level provided by a Continuing Resolution (P.L. 109-289, Division B, as amended). These amounts may change with the expected passage of a year-long CR.

Overview

More than ever, information technology (IT) is necessary to carry out U.S. foreign diplomacy and promote U.S. interests. The U.S. must have ready access to relevant information at a moment's notice to respond to changing events. Information and IT systems and services must be available around the world and around the clock to U.S. personnel in Washington and at over 300 locations. While the Department of State has improved its global IT infrastructure substantially, technology does not stand still. The future will demand even more - more rapid exchange of high quality information, more effective collaboration among all agencies operating overseas, greater efficiency in delivery of services, more support for mobile computing, and remote access to information while having enhanced security to protect personnel and assets. The Department must rise to this critical challenge and ensure continuous improvement in the delivery of modern anywhere/anytime access to vital information needed for effective diplomacy.

The business and mission imperatives that drive IT investments in FY 2008 are: (1) promoting greater integration and collaboration among the more than 40 civilian agencies with overseas operations, starting initially with State/U.S. Agency for International Development (USAID) collaboration; (2) increasing efficiency and improving customer service through enterprise software licensing, consolidation and centralization of IT services and resources, and rightsizing overseas embassies and missions to promote efficiency, customer support, and security; (3) modernizing critical administrative and financial management systems to prepare for migration to government-wide e-Gov solutions and improve key services (e.g., e-Travel and payroll for Locally Hired Staff overseas); (4) providing critical information resources and tools for the Department personnel both overseas and in Washington - modernizing our messaging system and enhancing our mobile computing programs; and (5) enhancing IT security through improved encryption programs, Public Key Infrastructure (PKI), and global continuity of operations (COOP) that allows the Department to be prepared in the event of disasters or crises. These factors require substantial increases in IT investment which are reflected in this request.

The FY 2008 IT Central Fund request, which covers the Capital Investment Fund and Expedited Passport Fees, provides the IT tools and programs needed to support the Department's mission. Central Fund resources are invested to build effective, secure, and integrated IT systems supporting U.S. diplomacy worldwide, and to provide for the safeguarding and upkeep of the global IT infrastructure that is the foundation for the Department's operations.

IT CENTRAL FUND

To maximize future IT investments, the Department has completed a new IT Strategic Plan (ITSP) covering the years 2007-2011. The plan builds on the highly successful previous Strategic Plan, which established a robust global IT infrastructure for both classified and unclassified information management and processing.

As the Plan was being developed, it became clear that the ITSP should be a joint plan addressing the needs of both State and USAID. The intent is to promote opportunities for interagency collaboration by furthering joint mission objectives and to capitalize on economies of scale in delivering services. The Joint ITSP mirrors the *FY 2004–2009 State and USAID Strategic Plan*. The Plan will provide a platform for expanding interagency collaboration and global rightsizing to all agencies operating overseas.

The Department's budget request for FY 2008 reflects the IT vision and five strategic goals in the FY 2007-2011 ITSP. The vision is *Empowering diplomacy and development with information and tools available anytime, anywhere*. The five goals supporting this vision are:

- Goal 1: The Right Information: *Knowledge Leadership For Diplomacy and Development*
- Goal 2: Anytime/Anywhere Access: *Foreign Affairs Professionals On The Move*
- Goal 3: External Partnerships: *Diplomacy and Development Through Collaboration*
- Goal 4: Risk Management: *Balancing Security with Business Imperatives*
- Goal 5: Work Practices and Workforce: *Leading Change*

To address the business and mission imperatives while furthering the ITSP, The Department's highest IT priorities for FY 2008 include: (1) sustaining and improving a secure infrastructure to provide increased accessibility to the full range of IT services from all kinds of end user devices (e.g., laptops, cell phones, personal digital assistants (PDAs) and Blackberries, thin clients) regardless of location; (2) business applications that are broadly accessible to authorized end-users, incorporating IT security via web-based tools; (3) improved knowledge management tools for content management, customer relationship management, and intelligent search, retrieval, analysis, and presentation; (4) interagency collaboration and coordination, with particular emphasis on joint efforts with USAID; (5) consolidation and centralization of the delivery of secure IT services to improve customer service and efficiency, along with promoting the rightsizing of U.S. presence overseas; and, (6) investigate and incorporate modern and efficient risk management practices in accordance with Goal 4.

In furtherance of Goal 2, The Department has begun to consolidate its IT resources and support operations, beginning with functions in the Information Resource Management (IRM) Bureau. The near-term focus is on:

- Consolidating the numerous help desks into a single enterprise-wide Tier One Help Desk for all trouble calls and service-related inquiries.
- Consolidating desktop support operations and integrating this capability with the help desk function to eliminate duplicative functions and ensure a consistent face to the customer.
- Server consolidation in the ESOC as noted below.

New automated tools, taking advantage of industry advances in off-the-shelf service support systems, will support IT consolidation. The consolidation will begin within the IRM Bureau, expand to the Bureaus that report to the Under Secretary for Management, and finally to the entire enterprise, in Washington and all around the world.

The following table summarizes the FY 2008 investment funding needed by the Department to achieve its strategic IT goals and objectives:

IT CENTRAL FUND

Investments Summary

(\$ in thousands)

Activities	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Goal 1: The Right Information: Knowledge Leadership For Diplomacy and Development	52,668	17,176	26,613
State Messaging and Archive Retrieval Toolset (SMART)	39,672	3,870	9,670
Electronic Medical Record (EMR)	2,500	2,250	2,565
Content Management System	2,446	4,000	4,785
Other Goal One Initiatives	8,050	7,056	9,593
Goal 2: Anytime/Anywhere Access: Foreign Affairs Professionals On The Move	143,837	187,766	186,296
Global IT Modernization	61,478	98,995	84,090
Department Bandwidth Costs	40,000	40,000	40,000
Enterprise Network Management	10,056	10,056	11,000
Enterprise Software - Licensing & Maintenance	10,348	15,639	15,639
Enterprise Server Operations Centers	3,000	3,313	3,000
State/USAID Joint Infrastructure Modernization	0	0	5,000
Other Goal Two Initiatives	18,955	19,763	27,567
Goal 3: External Partnerships: Diplomacy and Development Through Collaboration	69,085	70,576	83,162
Joint Financial Management Systems	12,545	9,067	11,401
Consolidated American Payroll System (CAPPS) and Interagency ePayroll Migration	5,487	1,463	1,864
Travel Manager Program	3,499	3,500	3,500
Worldwide Agency-wide Locally Engaged Staff Payroll (WALES)	950	2,495	12,295
A/LM Integrated Logistics Management System (ILMS)	18,000	19,500	18,900
Integrated Personnel Management System (IPMS)	11,267	11,267	11,267
Joint Assistance Management System (JAMS)	500	7,132	8,320
Other Goal Three Initiatives	16,837	16,152	15,615
Goal 4: Risk Management: Balancing Security with Business Imperatives	7,718	7,139	7,139
Public Key Infrastructure (PKI) /Biometrics	7,718	7,139	7,139
Goal 5: Work Practices and Workforce: Leading Change	6,806	6,845	10,535
Total, IT Central Fund	280,114	289,502	313,745

IT CENTRAL FUND

Goal 1: The Right Information: Knowledge Leadership for Diplomacy and Development

The Department must leverage its investment in reliable global IT infrastructure by expanding direct support for the mission-driven processes of diplomacy, interagency foreign affairs, development, and disaster assistance. This entails developing an information environment, including value-added knowledge bases focused on areas of interest; deploying effective, user-oriented tools for discovering and analyzing useful information; and establishing a Department-wide solution for content management and information publishing and dissemination. It also entails establishing a process and IT support for management to monitor activities, performance, and results. Specific initiatives to be pursued in FY 2008 include:

State Messaging and Archive Retrieval Toolset (SMART): \$9,670,000

The SMART vision is to deliver a simple, secure, and user-driven system to support the conduct of diplomacy through modern messaging, dynamic archiving, and information sharing. SMART will consolidate legacy cables, memoranda, and email on a single platform. Documents will be accessible to users through interest profiling and a sophisticated search engine, and will provide cross-enclave access to Archival Documents. In FY 2008, SMART will complete work associated with the last SMART pilot, and then proceed toward worldwide deployment of the SMART system, which includes end-user and system administrator training, travel, deployment support, on-going operations and maintenance for transitioned posts, and continued program support costs.

Electronic Medical Record (EMR): \$2,565,000

The Electronic Medical Record (EMR) System establishes an essential medical record infrastructure that will enable the Department to provide quality health care services for all U.S. Foreign Affairs agencies worldwide. The EMR provides a single, electronic, authoritative source of information that is retrievable by multiple providers for patient care, medical evacuations, and hospitalizations, medical clearance decisions, medical record release actions, and medical program planning and management. The EMR also provides a standard, rapid, and secure way to enter new medical record information into a patient's State medical record. The EMR is an integration of commercial off-the-shelf (COTS) medical record software; unique State medical applications (e.g. medical clearances); and scanned medical records, which are currently being integrated with web-based development software. The Department's EMR V1 (domestic version) was deployed in 2006.

In FY 2006, development of EMR Overseas Version 2.0 was completed. Deployment of the remaining modules will not be done. The future State worldwide health care record (EHR) systems will be to seek to integrate and comply with the Commission for Health Improvement, the Health Portability and Accountability Act, and the Healthcare Information Technology Standards Panel (HITSP)-endorsed standards for health IT interoperability. The e-community recently identified the Department and five other agencies as providers of direct patient care and requested these departments to develop a plan to adopt HITSP -endorsed standards for health IT interoperability. is actively involved in these initiatives.

Content Management System (CMS): \$4,785,000

The CMS project provides a centralized delivery platform and infrastructure comprised of integrated tools and services for the development and deployment of Embassy and the Department's public websites worldwide. Services provided include: content management, web hosting, search, security, continuity of operations, training, support, and web reporting. The system enables posts and bureaus of any size to develop, maintain, and host centralized multilingual content that streamlines the creation and delivery of high quality information for both print and web content for Embassy and the Department's international audiences. The CMS improves the efficiency of embassy operations by streamlining and providing automated support for content development, workflow, and publishing. More importantly, it will improve the ability of the the Department to deliver highly effective, custom-tailored messages to audiences around the world, thus furthering Transformational Diplomacy.

IT CENTRAL FUND

In FY 2006, the CMS project reached its goal in adding over 100 new posts to the system. To date, the CMS contains over 250 websites and 158 Posts. In FY 2008 the CMS will be deployed to an additional 100 overseas locations and will continue to integrate new technologies to meet the business needs of its customers worldwide.

Other Goal 1 Initiatives: \$9,593,000

The Department will pursue other initiatives to promote knowledge management in support of diplomacy, including the State Department's web site, Enterprise Information Portal, customer relationship management, Bureau of Intelligence and Research systems, Public Affairs Database Support, and records disposition. State and USAID will explore pilot deployments of innovative technologies for interagency information management and sharing. The overarching focus for FY 2008 will be to determine how best to provide end users with the information and tools they need to further the goals of Transformational Diplomacy.

Goal 2: Anytime/Anywhere Access: Foreign Affairs Professionals on the Move

Under Goal 2, the Department will provide an IT infrastructure that supports reliable access to needed information and systems from anywhere via standard end-user devices such as laptop and desktop computers, PDAs, and cell phones. Users will have access while working at home (telecommuting and telework), while on travel, and while out of the office. To accomplish this goal, the Department will continue to maintain its global IT infrastructure, and will explore technology extensions that enable secure mobile access. It will build on the success of Open Net Everywhere (ONE) and Blackberry programs that have begun to deliver the promise of mobile computing to our diplomats. The Department is working with USAID and other agencies to capitalize on technologies that have proven successful in meeting similar functional and security requirements. Specific initiatives that support Goal 2 are summarized below.

Global IT Modernization: \$84,090,000

In FY 2008, the Department will continue the Global IT Modernization (GITM) program to ensure that its global IT infrastructure is kept current. Through this program, the Department centrally manages the periodic replacement and modernization of classified and unclassified desktop computers, servers, network equipment, and circuits at the Department's domestic facilities and at all overseas posts on a four-year life cycle. As equipment is replaced, infrastructure is re-engineered as appropriate, taking into account newer technology, security, and best practices. GITM allows the Department to sustain a true global infrastructure, ensuring compliance with standards, full interoperability, and cost-effective administration. To enable the Department to take the next step and provide anytime/anywhere access, the infrastructure must be sufficiently robust and reliable.

The GITM plan for FY 2008 is to modernize 111 sites, including 47 overseas OpenNet sites, 45 overseas ClassNet sites, and 19 domestic facilities.

Department Bandwidth: \$40,000,000

Network capacity is crucial to achieving the goals of the Joint ITSP and supporting the Department's global mission. As information and IT are made more available on a 7x24 basis from anywhere, demands on the global network will increase accordingly. These demands are met utilizing bandwidth and related services provided by the Diplomatic Telecommunications Service Program Office (DTS-PO), as well as internet service providers, and very small aperture terminal (VSAT) services. The bandwidth investment for FY 2008 will:

- Enhance network capacity to meet today's business continuity requirements

IT CENTRAL FUND

- Provide adequate bandwidth for centralized applications such as SMART, video conferencing, and the global financial management system
- Implement federally mandated encryption methods
- Explore the use of alternate telecommunications while considering performance, business requirements and cost

Enterprise Network Management: \$11,000,000

This request supports the Department's on-going management and improvement of its networks – a critical step toward increasing the security and integrity of the Department's IT infrastructure. Priority activities planned for FY 2008 are:

- Increase network availability by improving the network infrastructure and increasing its fault tolerance
- Reduce the network's vulnerability by increasing patch compliance
- Enable the Department to better respond to network issues by utilizing real-time network monitoring tools
- Redesign the classified network's architecture to improve availability, scalability, and performance
- Replace end-of-life networking hardware to provide a more secure network

The Department will initiate a network reengineering study during FY 2008. OpenNet is almost 10 years old and was designed prior to mobile computing, regional processing, rightsizing, and other information technology best practices that affect network demands and performance. The Department recognizes the need to re-tool the network to reflect both current demands and future directions, including the joint State/USAID IT infrastructure integration efforts. As additional regional services are delivered to overseas posts, the network must be able to accommodate the telecommunications demands that will result.

Enterprise Software -- Licensing and Maintenance: \$15,639,000

The Department has entered into centralized software licensing arrangements for critical software. The goals of enterprise licensing include cost savings, standardization, and internal efficiencies in negotiating with vendors. Centralizing the licensing process ensures that all software is kept current and secure; this in turn enables delivery of effective customer service through help desk and desktop support operations that can rely on consistent, maintained, and current software versions. The Department is committed to leveraging economies of scale for large software acquisition, working closely with the GSA SmartBUY program as a member of the SmartBUY steering committee.

The FY 2008 focus in this area is to:

- Utilize enterprise software licensing agreements to reduce the total cost of ownership and to standardize and centralize software procurement
- Implement an off-the-shelf toolset for software asset management (SAM) to track enterprise licensing data and integrate with other COTS tools for trouble ticket management, troubleshooting, and performance monitoring and management reporting
- Explore how enterprise licensing agreements could be used for other widely used software products

Enterprise Server Operations Centers (ESOCs): \$3,000,000

For several years, the Department has operated Enterprise Server Operations Centers (ESOCs) to consolidate data processing and server operations. The ESOCs promote central management of Department servers, yielding efficiency gains and ensuring a critical mass of data center management expertise. Centralization of data processing centers is one step in rightsizing IT support both domestically and overseas. FY 2008 funding would allow the Department to continue with the site, server, and application consolidation to improve COOP and Disaster Recovery (DR) support. This

IT CENTRAL FUND

will be accomplished through Virtual Machine technology (VMWare) and highly reliable enterprise storage technology (SANs). In FY 2008, the ESOC will focus on the:

- Rollout of VMware ESX into production, and to virtualize 20% of the servers in the ESOC, including all the IRM servers in the Washington area;
- Select SAN technology, and implement pilot and production systems which provide COOP/DR data and/or server mirroring services to 20% of the servers in the ESOC; and
- Security certification of the ESOC as a Global Support System.

State/USAID Infrastructure Integration: \$5,000,000

The Department and USAID have been working to integrate the unclassified networks of the two agencies to promote greater interagency communication and collaboration. The two agencies are also actively involved in consolidating and standardizing their approaches to financial management and other administrative functions. The Department will leverage the e-gov and LoB initiatives to help with this integration. During FY 2007 and 2008, the focus will be on completing pilots at several posts to determine the appropriate level of integration between the two agencies.

Other Goal 2 Initiatives: \$27,567,000

Other initiatives that focus directly on achieving the goals of anytime, anywhere access include the Department's secure backup and recovery facility, which serves as an Alternate Communications Site (ACS) for in the event of a major interruption of service due to terrorist attacks, natural disasters, or catastrophic failure; anti-virus software; post telephone system upgrades; modernization of critical classified voice and data communications and encryption devices; and secure video/data services throughout the Department.

Goal 3: External Partnerships: Diplomacy and Development Through Collaboration

The Department is committed to electronic Government with resulting improvements in citizen services, mission effectiveness, and efficiency. The focus is in three areas: (1) participating in government-wide e-Gov initiatives; (2) streamlining administrative operations; and (3) enhancing interagency and external collaboration, especially overseas and with the foreign affairs communities. An important ongoing priority is to provide a suite of effective and efficient application systems that ensure diplomatic readiness. The Department has been working to provide diplomatic readiness and management functions in a more streamlined, consolidated, and cost-effective manner. These efforts will facilitate the migration to web-enabled applications, create more useful reporting tools, and improve the Department's ability to share data, both internally and with external partners. It will also position the Department for greater participation in government-wide administrative solutions as they emerge and become available.

Financial Management

The Department will continue to integrate and upgrade its global financial management systems in FY 2008. Goals include high levels of data consolidation, web-enablement, coordination with USAID, and positioning for government-wide e-Gov efforts.

Key initiatives for FY 2008 in financial management include:

Joint Financial Management Systems (JFMS) (\$11,401,000) – Support for the Department and USAID's common financial management platform to provide overseas and domestic worldwide financial management and reporting. JFMS is the follow-on project to the Global Financial Management System (GFMS), which consolidated and improved the Department's financial

IT CENTRAL FUND

systems.

Consolidated American Payroll System (CAPPS) and Interagency ePayroll Migration (\$1,864,000) – This request covers expected legacy system O&M costs and promotes the President's Management Agenda (PMA) through the migration of the Department's American payroll to an OPM/OMB approved ePayroll platform.

Travel Manager Program (\$3,500,000) -- Consistent with the PMA, the Department will migrate to the new government-wide eTravel service (eTS), while continuing to provide a modern, standard, and streamlined travel program during the transition. The Department has selected one of GSA's approved eTravel service providers as its eTS vendor. Work during FY 2007 will include several overseas pilots to ensure that the eTS will meet overseas posts' needs. This will position the Department for deployment in FY 2008.

Worldwide Agency-wide Locally Engaged Staff Payroll (WALES) (\$12,295,000) -- This request will fund COTS software acquisition and related implementation services for WALES. WALES will replace four versions of the over 20 year old legacy Foreign Service national (FSN) Pay system and FARADS (the legacy system used to generate annuity payments to retired Foreign Service Officers covered by the Foreign Service Act) with a single system built using modern technology. The migration to WALES addresses the major operational risk faced not only by the Department, but also the 40+ other agencies that rely on the State Department for e-payroll services for FSN employees at posts and missions outside the U.S.

Integrated Logistics Management System (ILMS): \$18,900,000

ILMS is a major reengineering and development effort to create a modern, user-oriented system for all logistics functions; including purchasing, supply, transportation, warehouse, and inventory/asset management. ILMS emphasizes operations streamlining and self-service through browser based status tracking. The FY 2008 request will fund operations and maintenance for over 2,500 users worldwide, plus integration and regression testing as the Department updates and consolidates its financial systems. ILMS will continue work in tandem with the Post Administrative Support System (PASS).

Integrated Personnel Management System (IPMS): \$11,267,000

The Department will continue work on the IPMS, the key corporate application that supports State's overall strategic human resources goals. IPMS is instrumental in ensuring that the Department has the right people, with the right training, in the right place, at the right time. The long-term mission of IPMS is to provide the Department with superior human capital management in support of its diplomatic mission. During FY 2008, the Department will continue operations and maintenance of IPMS and its components, and will focus on key upgrades, including: enhancing Post Personnel System capabilities in support of the OMB Gold Standard; upgrading software platforms and interfaces; expanding the use of service oriented architecture; increasing State/USAID integration in support of human resources processes; reengineering data warehouse capabilities and web portal functionality; and supporting both the PMA and Homeland Security Presidential Directive (HSPD-12) initiatives.

Joint Assistance Management System (JAMS): \$8,320,000

JAMS is a cooperative effort by State and USAID to modernize the assistance process. The program will develop and implement a joint, single solution that will facilitate end-to-end assistance management to meet the needs of the foreign affairs community across both organizations. The business case for this initiative will provide the administrative details and checkpoints required for JAMS to receive funding through the Department's eGov process. The request represents the Department's share of the FY 2008 estimated cost.

Other Goal 3 Initiatives: \$15,615,000

IT CENTRAL FUND

Other initiatives in this area will aid in business process streamlining, interagency communication, and e-Government/Lines of Business (LoB) initiatives. They include the Humanitarian Information Unit (HIU); E-Allowances; Promoting Interagency Connectivity through existing inter-agency networks (e.g. Secret Internet Protocol Router Network (SIPRNET) and Open Source Information System (OSIS)), and other mechanisms; PASS; Enterprise Application Integration (EAI); Joint Planning and Performance System (JPPS) (formerly CFPS); Joint State/USAID Enterprise Architecture; and IT Capital Planning.

As outlined in the President's Management Agenda, E-Government initiatives serve citizens, businesses, and federal employees by delivering high quality services more efficiently at a lower price. Instead of expensive "stove-piped" operations, agencies work together to develop common solutions which achieve mission requirements at reduced cost, thereby making resources available for higher priority needs.

The Department currently participates in 10 e-Government programs including E-Authentication; Grants.gov; and Integrated Acquisition, as well as nine Lines of Business (LoB) initiatives: Financial Management; Grants Management; Human Resources; IT Infrastructure; Geospatial; Budget Formulation and Execution; Federal Health Architecture; and Information Systems Security. The Department is providing funding in FY 2007 and FY 2008 to the following E-Government Initiatives shown below:

	(\$ in thousands)	
<i>INITIATIVE</i>	<i>FY2007</i>	<i>FY2008</i>
• Business Gateway	\$249	\$88
• E-Authentication	\$0	\$65
• Grants.gov	\$130	\$134
• E-Rulemaking	\$155	\$135
• E-Travel	\$0	\$400
• Gov-Benefits	\$135	\$134
• Integrated Acquisition Environment	\$444	\$578
• ePayroll	\$445	\$0
• Enterprise HR Integration	\$0	\$65
• Recruitment One Stop	\$44	\$52
• LoB Financial Management	\$83	\$75
• LoB Grants Management	\$30	\$28
• LoB Human Resources	\$65	\$65
• IT Infrastructure LOB	\$80	\$80
• Geospatial LOB	\$35	\$36
• Budget Formulation & Execution LOB	(in kind)	\$85
• ISS LOB	\$0	\$60
TOTALS	\$1,895	\$2,080

Benefits realized by the Department in FY 2007 and FY2008 through the use of E-Gov initiatives are anticipated as follows:

- *Business Gateway* – Helps businesses locate the Department's information more easily, when they may not have known the Department offers business-related resources and helps reduce the burden for businesses to find and submit forms.

IT CENTRAL FUND

- *E-Authentication* – E-Authentication enables the Department to use identity credentials issued and managed by organizations within and outside the Federal Government, thereby avoiding the much of cost of providing its own identity management solutions.
- *Grants.gov* – Provides a single site for the grants community to apply for grants using common forms, processes and systems. The Department derives its largest source of benefits from Grants.gov by not building a system for collecting electronic grant applications.
- *E-Rulemaking* – The Federal Docket Management System (FDMS) enhances 's ability to receive public comment on a world-wide basis. the Department publishes on average 36 regulatory actions. Coupled with nearly 340 non-comments annually.
- *E-Travel* –can provide more efficient and effective travel management services through E-Travel. The benefits include cost savings associated with cross-government purchasing agreements and improved functionality through streamlined travel policies and processes, strict security and privacy controls, and enhanced agency oversight and audit capabilities. (FY 2008 and beyond)
- *GovBenefits.gov* – Increased public awareness of State Department benefit programs, including programs providing US citizens with opportunities to participate in educational and/or cultural exchange programs abroad that contribute to the Department's public diplomacy efforts; and programs to assist US fishing vessels involved in international fishing disputes.
- *Integrated Acquisition Environment* – State has avoided the costs required to build and maintain separate systems to record

Goal 4: Risk Management: Balancing Security with Business Imperatives

Under Goal 4, State and USAID will adopt a comprehensive and unified approach to all aspects of IT security. Such a joint IT security program is essential for accomplishing the other joint goals in the new IT Strategic Plan. The intent is to enable broad access to information and systems; secure internal and external collaboration; rapid and secure introduction of new technologies; and comprehensive business continuity plans that can be relied upon to work in the event of a terrorist attacks, natural disaster and/or catastrophic failure.

The Department and USAID will apply the best practices of each agency, as well as industry and government innovations in IT security. Security risk management will be based on a partnership model, through which system sponsors, IT professionals, and security experts will collaborate to make risk management decisions and ensure that IT assets are protected commensurate with risk. System and data owners/sponsors will assume ultimate responsibility for making risk management decisions. Innovative security approaches, such as biometrics, will be in place to monitor and control user access to IT systems and information, thus enabling anytime, anywhere access, and securing extranets for internal and external collaboration.

PKI and Biometrics: \$7,139,000

PKI supports user authentication and biometrics to control access to the Department information resources on ClassNet and OpenNet Plus meeting the requirements of HSPD-12; protects and validates the electronic information stored on E-Passports; improves IT security against external and internal threats; and supports digital signature requirements enumerated in the Electronic Signatures in National and Global Commerce Act (E-SIGN). PKI will also help satisfy provisions set forth by the Government Paperwork Elimination Act (GPEA) by reducing the amount of paper produced for physical signature. Other uses include

IT CENTRAL FUND

exchange of contractor information between overseas secure embassy construction sites and the Department; investigative reports by Diplomatic Security; and protection of sensitive and personal medical records to serve those stationed overseas.

FY 2008 funding will support:

- Overseas deployment
- O&M requirements of the PKI infrastructure
- 100% validation of OpenNet users
- Application of single sign-on (SSO) capabilities to additional systems
- Providing secure sharing of information across regions and between agencies
- Enhanced protected telework services that support expansion of this initiative.

Goal 5: Work Practices And Workforce: Leading Change: \$10,535,000

Goal 5 focuses on ensuring that end-user staff have the skills necessary to use the new IT tools, systems, and information being made available under the other four goals; continuously enhancing the skill base of the Department's IT staff; and creating and sustaining an efficient and effective IT support organization. The latter will focus on ensuring that the Department promotes continuous innovation in the use of IT to support the diplomatic mission. Goal 5 also focuses on adjusting the skills and responsibilities of IT staff to enable them to play a higher-level consultative role in helping end-users exploit modern technology. This request will be used for innovative training management, distance learning, and technology at the Foreign Service Institute.

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BORDER SECURITY PROGRAM

Resource Summary

(\$ in thousands)

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Machine Readable Visa (MRV) Fees	772,755	747,564	861,950
Diplomatic and Consular Programs	45,673	0	0
Western Hemisphere Travel Surcharge	0	103,800	130,200
Enhanced Border Security Program Fees	165,145	265,715	281,765
Passport Security Surcharge	126,757	223,650	239,700
Immigrant Visa Security Surcharge	23,288	26,965	26,965
Diversity Fee	15,100	15,100	15,100
Fraud Prevention Fee	4,200	31,800	31,800
Total Border Security Program Expenses	987,773	1,148,879	1,305,715

Justification of Request

The Border Security Program is a critical element in the Department of State's fundamental mission of protecting American citizens and safeguarding the nation's borders. The Bureau of Consular Affairs (CA) is responsible for: denying valid entry into the United States of individuals who pose a threat to this country; facilitating the entry of legitimate foreign visitors and students; protecting American citizens abroad; researching and developing automated systems; and implementing policies, procedures, and processes in coordination with other federal agencies in support of homeland security goals. The Border Security Program strategy is focused on five major objectives: information technology, connectivity, infrastructure, integrity, and human resources.

Information Technology

Enhance data sharing initiatives with other agencies and increase the effectiveness and efficiency of the applicant screening process through name checks and biometrics technologies (fingerprint scanning, facial recognition). Provide consular officials responsible for adjudicating passport or visa applications with pertinent information the U.S. holds regarding that applicant.

Connectivity

Provide worldwide and redundant connectivity in support of passport and visa adjudication, including sufficient bandwidth to support the Consular Consolidated Database and other data sharing and remote management initiatives.

Infrastructure

Provide the most modern equipment and software to support consular operations. Ensure an effective replacement and refresh schedule and development of software programs to meet workload and legislative requirements.

BORDER SECURITY PROGRAM

Integrity

Strengthen the integrity of the passport and visa issuance processes and products through improvements to the documents themselves, enhancements in information storage and retrieval, expanded training in anti-fraud techniques and procedures, and a comprehensive program to investigate any indications of fraud.

Human Resources

Supply a sufficient number of qualified staff to fill new and vacant consular positions. Work with the Department to hire, train and assign personnel to meet increasing workload demands and program growth domestically and overseas.

BORDER SECURITY PROGRAM

The following chart summarizes the costs of the major activities of the Border Security Program:

(\$ in thousands)

Activities	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Consular Project Initiatives	391,868	440,507	530,386
Consular Systems Install and Operations	45,000	35,000	37,000
Consular Systems Modernization and Support	73,561	77,950	90,350
Automated Namecheck Systems: CLASS	17,000	15,000	14,700
MRV Administrative Support	55,903	64,918	79,789
Public Information Support	17,304	18,300	21,300
Document Integrity/Fraud Programs	4,950	27,335	27,213
Consular Training (FSI)	5,195	6,269	5,614
Passport Operations	102,625	140,404	207,244
Passport Facilities	4,684	5,500	5,754
Passport Systems	41,455	42,300	46,000
Visa Processing	16,329	27,152	29,420
American Citizen Services	2,323	2,762	2,463
Intelligence Support Unit (INR)	648	762	779
Facilities Management (A)	4,891	5,298	5,585
Diplomatic Security	11,127	12,423	13,412
Investigative Support/Guards	11,127	12,423	13,412
Technology Backbone – IRM	18,000	19,000	18,000
IRM Computer Systems and Operations/	8,000	9,000	8,000
Diplomatic Telecommunications Support	10,000	10,000	10,000
Border Security Staff (American Salaries)	241,205	264,188	276,965
Consular Affairs	103,292	119,350	126,593
Bureau of Administration	89	89	89
Information Resource Management	3,039	3,039	3,039
Diplomatic Security	14,434	15,186	15,194
Overseas Staff	120,351	126,524	132,050
Border Security Support	325,573	384,318	424,127
Consular Affairs	174,869	237,013	272,417
Diplomatic Security	870	870	870
Information Resource Management	4,090	4,090	4,090
Western Hemisphere Affairs (BCC)	2,000	2,000	2,000
Overseas Support	143,744	140,320	144,725
Total, Border Security Program	987,773	1,148,879	1,305,715
<i>DHS Reimbursement</i>	12,000	12,000	12,000

BORDER SECURITY PROGRAM

The Department will pursue the following objectives in FY 2008 as part of its continued efforts to protect and assist Americans abroad and to improve U.S. border security by preventing the entry of terrorists or others intending to engage in criminal activity in the United States.

Consular Systems Installation and Operations: \$37,000,000

All consular operations worldwide rely on a standardized suite of modernized applications that support visa and passport processing and American citizen services. These applications provide significant operational and security features that ensure the integrity of all consular processes. In FY 2007 and FY 2008, CA plans to procure the necessary hardware to support several new applications, such as 10 Print fingerprint collection, a stand-alone Automated Cash Register System (ACRS) and the Emergency Overseas PhotoDigitized Passport System (EPDP). The EPDP will allow the Department to produce a more secure machine-readable U.S. passport overseas. CA will also expand Facial Recognition capability for visa and passport systems. To ensure successful deployment of these applications, the bureau must maintain a high level of installation/training and technical support to the field, including numerous field pilot evaluations and additional visits to posts beyond the regular 36-month hardware replacement visits and 12-18 month refresher training trips. The training will require coordination with FSI and will include computer-based and hands-on training by visiting experts in consular automated systems. CA will also operate a support desk staffed by consular systems experts, and technical teams trained and ready to assist posts on an as required basis.

Consular Systems Modernization and Support: \$90,350,000

Systems that support the Border Security Program constitute one the largest groups of corporate applications within the Department. These systems are located at approximately 240 posts overseas, 17 passport agencies, and two visa centers. As part of the Border Security initiative and to curtail fraud, a strong and knowledgeable security program must be in place to ensure that all Consular systems are as immune to compromise as possible. To this end, CA will continue to manage, develop, and operate unclassified and classified web sites, domestic operations programs, and emergency preparedness initiatives.

The Enhanced Border Security and Visa Entry Reform Act of 2002 requires biometric technology to be applied to both passport and visa processes. The effective implementation of the 10 Fingerprint Collection Program as well as continued support of all consular systems and applications will meet these legislative requirements. In addition, CA will enhance and provide technical support for the domestic based automated systems that support the processing of immigrant visas at the National Visa Center (NVC) and the Kentucky Consular Center (KCC). The bureau will also consolidate the multiple systems that support the visa business process into a single system to afford CA the ability to reduce future maintenance costs and more readily support future visa process modernization initiatives. In addition, CA will continue to invest in a new Internet-based crisis management system that will allow interaction with US citizens via the Internet, as well as be worldwide available. This system will form the backbone of crisis response to disasters such as the 2004 Asian tsunami and the 2006 departure of American citizens from Lebanon.

CA will continue to work closely with the Department of Homeland Security and other Federal Government agencies in data sharing efforts. The bureau will develop a worldwide standard fraud tracking system that all posts and government entities can use to reference data at a central location. In addition, the bureau will upgrade and renovate the American Citizen Services systems (ACS+, IBRS, and CTF) to provide basic assistance to American citizens traveling abroad. Finally, CA will continue to update and maintain a central index of adoptions covered by the Hague Convention on Protection of Children and Co-operation in Respect of Intercountry Adoption (Hague Convention on Intercountry Adoption) to allow adoption service providers to have access to adoption case data via the Internet.

BORDER SECURITY PROGRAM

Automated Name Check Systems CLASS: \$14,700,000

The Consular Lookout and Support System (CLASS) is the primary tool upon which consular officers depend when adjudicating passports and visas. The CLASS database consists of approximately 22 million primary and 7 million alias records against which consular officers perform name check and identity checks. CA supports direct connections with DHS, the Federal Bureau of Investigation, the Drug Enforcement Administration and the Department of Health and Human Services, and will continue to support and expand that electronic data-sharing network. CLASS is available to all consular operations overseas, with the average response time of 15 seconds or less for 80% of the name checks. For passport checks, the database contains approximately 5,000,000 records, and will expand as the threshold for denying a passport for failure to pay child support drops to \$2,500.

To execute name checks in areas of the world that offer limited telecommunication links, the Department has developed eCLASS, which provides standalone as well as central name check capabilities. With eCLASS, CA projects to be completely off mainframe technology in FY 2008, thereby reducing costs and increasing flexibility. In addition, it incorporates expanded functionality by allowing other agencies to share CLASS technology, thereby making it easier for other agencies to gain access to the CLASS database. Under eCLASS, CA will continue to develop interfaces with other consular databases, such as the Consolidated Consular Database (CCD), the Diversity Visa Program database (eDV), the crisis management system and passport systems. CA is also testing a system called the Global Verification Module (GVM) that incorporates additional verification logic to examine visa applicant documentation to detect potential fraud.

As part of its contingency planning and in accordance with Presidential Directive 63, which specifically lists CLASS as a mission critical system for which contingency resources must be developed, CA has established an Alternate Processing Center at the Kentucky Consular Center for name check processing.

MRV Support Costs: \$79,789,000

The Machine Readable Visa (MRV) fee, collected from most applicants seeking a nonimmigrant visa, will continue to support overseas consular operations, including expenses incurred by consular agents as well as all expenses paid to banks to collect the MRV fee. CA will also continue to fund peak season staffing, TDY assistance to overseas posts, and the cost of Consular Management Assistance Teams participating in overseas management reviews. The bureau will continue to provide funding for modest amounts of office equipment, renovations, and furniture for consular sections worldwide. In addition, CA will provide support costs associated with the anticipated workload surge in Mexico for Border Crossing Card (BCC) renewals.

Public Information Support: \$21,300,000

CA will continue to rely on two call centers to provide the public with the most responsive information available in the most cost-effective manner. Contractors staff both call centers. The call center for American citizen services is a toll-free service that provides non-Privacy Act-protected information regarding the safety and welfare of American citizens abroad. The National Passport Information Center (NPIC) provides information services to the general public via a toll-free telephone number and e-mail correspondence. Due to increased passport demand and questions regarding the Western Hemisphere Travel Initiative (WHTI), the Department expects that demand for this service will continue to grow. In FY 2005, contract Customer Service Representatives at NPIC received 2.2 million calls. In FY 2006, the Department received over 5 million calls. To meet this increase, CA will add additional contractor staff in FY 2007 and FY 2008.

BORDER SECURITY PROGRAM

Document Integrity/Anti-Fraud Programs: \$27,213,000

CA will continue to maintain its emphasis on enhanced U.S. border protection and security through its efforts to uncover and combat fraud in consular documents. Through the Office of Fraud Prevention Programs (FPP), CA maintains an extensive program to share anti-fraud intelligence information with Fraud Prevention Managers, Diplomatic Security Agents and the Department of Homeland Security. In FY 2007 and FY 2008 CA will continue to prepare fraud alerts on lost and stolen travel documents and counterfeit travel documents. The bureau will conduct anti-fraud training at consular sections abroad, passport agencies, and at the National Visa Center and the Kentucky Consular Center.

In accordance with the H-1B Visa Reform Act of 2004, part of the FY2005 Consolidated Appropriations Act (Public Law 108-447), revenues generated from fees collected by the Department of Homeland Security related to H-1, H-2B and L visas and by consular posts from blanket L-1 visa petitions may be used by the DHS, the Department of State and the Department of Labor for anti-fraud programs related to these types of petitions. In FY 2007, the program will expand the anti-fraud programs in FPP and the Kentucky Consular Center and increase anti-fraud staff, including investigative staff in the Bureau of Diplomatic Security.

FSI Consular Training: \$5,614,000

The Foreign Service Institute (FSI) will continue to provide training in the form of classes, conferences, workshops, and on-line courses to consular officers, Information Management Specialists, Foreign Service Nationals, and consular agents. Courses cover anti-fraud and counter-terrorism techniques, name checking and identity recognition, consular systems applications, and immigrant and non-immigrant visa adjudication policies and procedures. FSI also provides courses on crisis planning, assistance to victims of crime, the Hague Convention on Intercountry Adoption, and the Hague Convention on the Civil Aspects of International Child Abduction. Funds also provide for the administrative support related to conducting these classes.

Passport Operations: \$207,244,000

Program requirements are primarily driven by passport demand and related personnel and contractor costs. In FY 2006, passport demand was over 12.3 million applications with workload expected to grow to 16.2 million in FY 2007 and at least 19.5 million applications in FY 2008. These projections include the impact of the WHTI requirement that U.S. citizens crossing any U.S. border must have a passport or other accepted documents deemed sufficient by the Secretary of Homeland Security to denote citizenship and identity.

To meet the anticipated workload, the Department plans to establish book personalization centers that will handle book printing, quality control and book mailing activities. These centers (one to open in FY 2007 and another planned for FY 2008) represent a move away from the current manner of processing passports where all adjudication and personalization activities occur at one facility. The book personalization facilities will also produce other travel documents, including the Passport Card. The Passport Card will be introduced to the public in early 2007 and can be used by U.S. citizens traveling across the land and sea borders of the U.S. Applications for the passport card will undergo the same scrutiny and security checks as applications for the traditional passport book, and will incorporate security features similar to those found in the U.S. passport.

Passport Services has identified imposter fraud, which includes identity theft, as the primary type of passport fraud committed in the U.S. CA plans to address this vulnerability by examining its business processes and by developing information system applications that would target possible identity theft by using such techniques as data mining and facial recognition.

BORDER SECURITY PROGRAM

The majority of passport applications are processed through lockbox operations managed by the Department of Treasury's General Lockbox Network. In FY 2008, CA plans to expand lockbox ancillary functions to include preliminary document review of the application, routine correspondence and digital image capture of the application.

Passport Facilities: \$5,754,000

Passport Services will continue to maintain the infrastructure of 17 passport agencies and the Passport Services headquarter offices. This requires funding for such items as telephone systems, renovations, furniture, and office equipment. To meet public demand for passports in metropolitan areas with international airports that do not presently have passport agencies in their cities, the Department plans to establish gateway city agencies. These relatively small "counter agencies" will provide the traveler with a passport in time to meet their travel date. The agency structure will be modeled on the existing "Gateway City" facility near Denver, Colorado. The Department plans to establish one agency in FY 2007 and another in FY 2008.

Passport Systems: \$46,000,000

The tremendous increase of Passport demand over the past three years has also required a large increase in systems support, and thus funding. In addition, CA will complete the rollout of the e-Passport in FY 2007, and initiate the issuance of a passport card as a part of the Department's strategy to implement effectively the WHTI.

Passport Systems provides operational support for approximately 2,000 users at the 17 regional passport agencies and centers, oversees a three-year replacement cycle for all computer equipment, develops and maintains passport software and manages the storage of over 97 million passport application record images dating back to 1994. The program is developing software that would allow data sharing with other federal agencies. CA continues to explore new technologies to enhance the integrity of passport processes. CA has developed the Passport Information Electronic Records System, which provides adjudication information to overseas consulates, thereby improving each consulate's ability to detect passport fraud.

Visa Processing: \$29,420,000

The Visa Office has identified and delegated certain visa processes that can be more effectively and efficiently performed centrally at the Kentucky Consular Center and the National Visa Center. The KCC manages the casework of the Diversity Lottery Program, receives and prepares for storage at NARA all visa records and manages the Facial Recognition Project, which involves screening visa applicants against an international lookout database. It also scans all visa records that have been refused and shares the information with other federal agencies. The KCC also serves as the Alternate Processing Center for the Consular Lookout and Support System (CLASS), a critical element in the Program's Critical Infrastructure Protection plan. In FY 2007 and FY 2008 the KCC will expand its anti-fraud program, targeting H-1, H-2B and L visa fraud.

The National Visa Center supports immigrant visa processing through the centralization and management of several consular projects, including a portion of petition processing and the Affidavit of Support review program, which requires sponsors of visa applicants to provide evidence that they can economically support the visa applicant. The NVC also processes all security advisory opinions and fingerprints of immigrant visa applicants and conducts anti-fraud activities related to immigrant visa petitions.

BORDER SECURITY PROGRAM

American Citizen Services: \$2,463,000

One of the Department of State's core objectives is the safety and welfare of American citizens abroad, especially in times of crisis. The funding requested allows CA to meet its protection responsibilities by providing information to travelers as well as prospective adoptive parents, providing a web site and internet-based registration site for American citizens traveling overseas, and enhancing crime victim assistance programs. In FY 2007 and FY 2008, the bureau will continue to engage in bilateral and multilateral meetings to strengthen crisis assistance to citizens, monitor international treaty compliance; implement the Hague Convention on Intercountry Adoption; train American and international judges in Hague Convention on Civil Aspects of International Child Abduction procedures and train state and local officials on consular notification issues.

INR – Intelligence Support Unit: \$779,000

In support of the nation's counter-terrorism efforts, the Bureau of Intelligence and Research (INR) works to identify and prevent the entry of individuals who pose potential threats to the United States. Funding will be used to operate the CA Watch. The CA Watch is staffed during non-duty hours by individuals with consular training and experience who are able to access consular databases and answer questions from ports of entry, other watches and other agencies regarding lookout interpretation, document validity and consular procedures for handling emergencies. The CA Watch also acts as a point of contact for the Terrorist Screening Center (TSC) and the National Counter-Terrorism Center (NCTC) and recovers intelligence files for SAO reviews.

A Bureau – Facilities Management: \$5,585,000

This funding provides for facilities maintenance, custodial services, and utilities at the National Visa and National Passport Centers in New Hampshire, the Kentucky Consular Center (KCC), and the Charleston Passport Center in South Carolina. These funds also include GSA rent for CA office space in Washington, D.C.

DS – Diplomatic Security: \$13,412,000

The Bureau of Diplomatic Security (DS) plays an important role in protecting the nation's borders and preventing passport and visa fraud. The DS bureau plans on increasing resources used to support criminal investigations concerning illegal passport and visa issuance and use through the funding of additional professional investigative support. In addition, DS will continue to hire and assign guards to protect all of CA's facilities. Funding will also be used to fund travel of Department employees to testify in Federal and overseas courts, expand the use of databases in fraud investigations, and improve DS's surveillance equipment capabilities. The DS bureau will expand its investigative activities of H-1, H2B and L visa fraud using revenues provided using revenues retained under the H-1B Visa Reform Act of 2004.

IRM – Technology Support: \$18,000,000

Funds for the Bureau of Information Resources Management (IRM) will be used to provide around-the-clock systems monitoring, operational, technical support and systems software programming as required for mainframe-based CLASS name check system. In addition, IRM will provide support for the server-based distributed eCLASS platform and backup contingency and disaster recovery for both CLASS and eCLASS systems to comply with Homeland Security and Critical Infrastructure Protection (CIP) requirements.

Border Security Staff – American Salaries: \$276,965,000

In FY 2006 the Border Security Program funded the salaries and benefits of 3,087 full-time positions that include consular staff, both Civil Service and Foreign Service, as well as some Diplomatic Security and Information Resource Management employees. Included in this position base is

BORDER SECURITY PROGRAM

additional passport staff hired to meet workload increases as well as the consolidation of the Consular Associate Replacement Program into the Border Security Program. Under this program, 190 new consular officers were hired over a three-year period and were originally funded under the Department's regular appropriations.

The FY 2007 Estimate provides for a staffing increase of 183 positions (53 overseas and 130 domestic). Included in these numbers are 112 positions that are necessary to meet the demands for passport adjudications associated with the Western Hemisphere Travel Initiative. In FY 2008, the Department plans to increase staff by another 122 positions (44 overseas and 78 domestic). As a result of these increases, Border Security Program positions will total 3,392 by the end of FY 2008.

Border Security Support: \$424,127,000

Requested funds for this program activity cover basic expenses of the Border Security Program. Funds for this activity pay for consumables and supplies for the visa and passport programs, including visa foils and passport books and the embedded contactless chip. These funds also cover the start-up and recurring expenses associated with overseas consular positions, which includes funding to the regional bureaus to pay the salaries and benefits of locally engaged consular employees as well as the post specific benefits (i.e., cost of living allowances, educational allowances and danger pay) of American consular staff. Funding includes consular operating expenses related to the Border Crossing Card renewals in Mexico.

BCC Reimbursement to DHS: \$12,000,000

The Department will continue to reimburse the Department of Homeland Security (DHS) for expenses related to the Border Crossing Card (BCC) program. In accordance with Section 104 of the Illegal Immigration and Immigrant Responsibility Act of 1996, the Department plans to reimburse the DHS \$12,000,000 for BCC production costs in FY 2008.

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EMBASSY SECURITY, CONSTRUCTION, AND MAINTENANCE

Resource Summary

(\$ in thousands)

Activities	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Worldwide Security Upgrades	898,574	576,933	806,900
Security Construction	799,852	478,211	692,178
Compound Security	83,914	83,901	99,722
Soft Targets	14,808	14,821	15,000
Operations	582,288	594,844	781,206
Planning and Development	9,378	10,500	11,067
Real Estate and Property Management	6,540	6,700	7,062
Project Execution	84,866	85,935	82,434
Operations and Maintenance	426,707	435,827	622,783
Information Management and Support	32,394	33,075	34,597
Harry S Truman Building and Domestic Renovations	22,403	22,807	23,263
Headquarters	8,864	10,808	11,328
Appropriation Total	1,489,726	1,182,585	1,599,434

FY 2006 Actuals reflect the rescission of 0.28% provided through the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (P.L. 109-108) and the general rescission of 1.0% provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B).

FY 2007 Estimates reflect the levels provided by a Continuing Resolution (P.L. 109-289, Division B, as amended). These amounts may change with the expected passage of a year-long CR.

Justification of Request

The Bureau of Overseas Buildings Operations (OBO), funded through the Embassy Security, Construction, and Maintenance (ESCM) appropriation, is responsible for managing the Department of State's (DOS) real property assets providing U.S. diplomatic and consular missions with secure, safe, and functional facilities. This mission is critical to the Secretary's "Transformational Diplomacy" initiative, providing the Department's employees with tools essential to achieving U.S. foreign policy objectives.

The FY 2008 request seeks sufficient resources to maintain OBO's progress in replacing non-secure diplomatic facilities. At the end of 2006, OBO had delivered a total of 41 new facilities since 2001 and had an additional 36 under design or construction. These 77 new facilities represent 39.5% of the 195 identified for replacement following the Nairobi/Dar-es-Salaam bombings in 1998— setting a record pace for delivering modern and secure diplomatic facilities on-time and within budget. In FY 2007, the Department expects to award contracts for 10 new facilities and is requesting funding in FY 2008 for the design and construction of 11 new facilities.

EMBASSY SECURITY, CONSTRUCTION, AND MAINTENANCE

The innovative strategies employed by OBO have resulted in significant dividends. In FY 2006, OBO executed the second year of the Capital Security Cost Sharing program designed to accelerate the replacement of diplomatic compounds that do not meet security standards. This program increases the resources available to fund the replacement of new embassy compounds by levying a per capita charge on those agencies operating overseas under the Chief of Mission authority, providing an incentive for agencies to rightsize their overseas staffing, a major initiative of the President's Management Agenda.

While the capital construction program will replace the most vulnerable facilities, over a quarter of overseas posts will not receive a new embassy compound (NEC) under the current program. The value of the Department's real estate assets exceeds \$14 billion and includes over 15,000 properties – a large and challenging portfolio to maintain. With a robust and successful capital construction program in place, OBO has shifted more focus to the operations and maintenance (O&M) activities required to keep the Department's existing inventory of facilities operational and to ensure new facilities are properly maintained. With this renewed focus, management has begun applying the same results-based process and lessons learned from the capital construction programs to improve the effectiveness of the O&M programs and reduce the backlog of maintenance requirements. The FY 2008 funding request is critical to continuing these improvements in order to protect the Department's long-term investment in new facilities and extending the useful life of facilities not scheduled for replacement.

Capital Construction and the Capital Security Cost Sharing Program

OBO continues to work with partners throughout the Federal Government and private sector to plan and implement a comprehensive program that addresses the security, safety, and operational issues that confront overseas facilities. The Department is incorporating rightsizing and regionalization efforts with a construction program that uses industry best practices to achieve efficient and effective results for U.S. taxpayers.

The FY 2008 request includes funding for the fourth year of the five-year phase-in of the Capital Security Cost Sharing Program (CSCSP). This program, together with the Capital Security Construction Program, will provide over \$1.16 billion in FY 2008 for the planning, design, and construction of NECs. The CSCSP was established to accelerate the replacement of unsafe, unsecure, and outdated diplomatic facilities that are used overseas by U.S. Government agencies. In addition, the program creates incentives within all agencies of the Government to scrutinize and rightsize their overseas presence to avoid unnecessary costs and security risks by charging each agency for projected, as well as existing, authorized positions. Each agency with staff overseas under Chief of Mission authority will pay a fair share towards construction of new diplomatic facilities based on the number of authorized positions and the type of space occupied. After the five-year phase in, the program will be funded at a level of approximately \$1.4 billion per year.

Functional Programs

In addition to the capital construction program that serves to replace overseas diplomatic facilities, OBO manages a number of ongoing functional programs that are vital to the execution of the worldwide security program and the maintenance of the Department's aging inventory of facilities that cannot be ignored. Failure to meet recurring maintenance and repair needs would add to the existing maintenance backlog; diminish the value of these government assets, including the newly constructed NECs, and result in higher maintenance and rehabilitation costs in future years.

EMBASSY SECURITY, CONSTRUCTION, AND MAINTENANCE

Program Description

The FY 2008 budget request of \$1.6 billion and 922 positions for ESCM is comprised of \$793 million to maintain operations at current services levels, \$692 million to continue the Capital Security Construction program and \$115 million to support Compound Security program improvements.

Worldwide Security Upgrades - \$806.9 million

This request includes \$692.2 million for the Capital Security Construction Program that, when added to the funds contributed by other agencies through the CSCSP and other reimbursements, will provide a total of \$1.16 billion for the planning, design, and construction of NECs. These funds will allow the Department to meet its key goal of constructing secure facilities at high-risk overseas posts to protect employees from terrorists and other security threats. The FY 2008 plan includes:

- Construction of NEC facilities in Bandar Seri Begawan, Brunei; Beirut, Lebanon (Annex); Belgrade, Serbia; Guayaquil, Ecuador; Juba, Sudan (NEC/Housing); Kinshasa, Democratic Republic of the Congo; Lusaka, Zambia; Manila, Philippines (Annex); Moscow, Russia (Annex); Riga, Latvia; and Tripoli, Libya.
- Acquisition of sites for future NEC projects and planning activities.

In addition, \$114.7 million is requested to continue the Department's compound security program. As described in the Long-Range Overseas Buildings Plan, the FY 2008 request will fund compound security upgrades, installation of forced entry/ballistic resistant doors and windows, maintenance of shatter resistant window film, environmental security protection, and setback properties should they become available for acquisition. This program includes \$15 million for security enhancements to soft targets such as overseas schools and residential compounds.

Operations – \$792.5 million

The Operations request provides funding for the seven major program areas within OBO: Planning and Development, Real Estate, Project Execution, Operations and Maintenance, Information Management and Support, Harry S Truman Building and Domestic Renovations, and Headquarters. Funding of these operational needs is critical for the support of the Capital programs as well as to ensure adequate stewardship of the Department's existing facilities.

Planning and Development - \$11.1 million

Proper planning is the critical component of OBO's philosophy of "getting it right." The Planning and Development Office provides the central focus for overseas facility planning efforts and is the linchpin in OBO's efforts to continue the change from a "budget drives planning" mindset to one of "planning drives the budget." This office, which is responsible for producing the Long-Range Overseas Buildings Plan (LROBP) and Asset Management Plan (AMP), conducts business case analyses and provides the detailed Long Range Facility planning, space requirements planning, project development, and cost management support necessary to design and construct new facilities or renovate existing ones, as well as manage any new initiatives.

Real Estate - \$7.1 million

Site selection and acquisition are critical steps in the success of any new construction project, but they can be the most difficult to negotiate and complete. This program supports all aspects of real property acquisition, management, and disposal.

EMBASSY SECURITY, CONSTRUCTION, AND MAINTENANCE

Project Execution - \$82.4 million

The Project Execution Office is the single point of responsibility and accountability for design, construction, and the commissioning of all facilities. This funding will allow the Department to reach its goal of completing one hundred percent of construction projects on time and within budget. The request comprises several different programs responsible for different aspects of execution.

- Construction and Commissioning - \$27.2 million This program funds expenses for the domestic and on-site construction management staff that oversee the work of the general contractors building and renovating the Department's overseas facilities.
- Design and Engineering - \$31.3 million The Design and Engineering Division provides assistance in soliciting and negotiating architectural and engineering services contracts and reviewing project drawings, specifications, and associated documents for compliance with codes and unique Department of State security requirements. Program funding includes the salary and support costs for staff who resolve design problems and changes during the construction process. In addition to participating in the project planning and programming phases (including project definition and engineering support), staff members assist the Facility Management Division in determining criteria and standards governing operations, maintenance, and repair requirements.
- Security Management - \$11.5 million This program provides security measures that safeguard overseas construction projects from potentially hostile terrorist acts and intelligence efforts. Beginning in FY 2005, OBO discontinued the practice of budgeting for security management costs for non-capital projects in the Security Management account. These costs are now included as part of the individual project budgets.
- Interiors and Furnishings - \$12.5 million This program provides interior planning and design for new office and support buildings, existing office facilities under rehabilitation, and new lease fit-out projects. In addition, it formulates policy, standards, and procedural guidance for interiors of office facilities and provides for the maintenance and replacement of furniture, furnishings, and equipment in representational spaces.

Operations and Maintenance - \$622.8 million

The Operations and Maintenance (O&M) Office is the Department's single point of responsibility and accountability for operations and maintenance of U.S. Government-owned or leased structures. Inherent in this mission is the responsibility to ensure compliance with all O&M-related aspects of the President's Management Agenda initiative on Federal Real Property Management. The Leasehold, Maintenance and Repair of Buildings, Facility Management, Facility Rehabilitation, Fire Protection, Safety, Health, and Environmental Management, Art in Embassies, and Post Communications programs reside within this office.

- Leaseholds - \$361.6 million Leasehold funds are used to acquire functional and residential properties for foreign affairs agencies through lease, lease-purchase, and build-lease agreements. The decision to lease or purchase a property is based on economic analysis of the cost alternatives and the availability of funds. This program funds all activities associated with leasing overseas properties, including market assessments, legal expenses, and fee recording. It also provides living quarters allowance payments to Department employees at selected posts where U.S. Government provided housing is not available.

EMBASSY SECURITY, CONSTRUCTION, AND MAINTENANCE

The Leasehold Program funds long-term leased (i.e., lease terms of ten years or longer) residential and non-residential properties overseas supporting all foreign affairs agencies under the supervision of the Chief of Mission. The program also funds short-term leased residential and non-residential space for Department personnel. In cases where the Department leases shared office facilities on a short-term basis, the costs for such leases are distributed among all tenant agencies through the International Cooperative Administrative Support Services (ICASS) system. Under a Memorandum of Agreement with the Department of Defense, the Department is reimbursed for the cost of housing Marine Security Guards that are deployed overseas.

The FY 2008 request of \$361.6 million is necessary to ensure that the Department can meet current lease commitments and provide safe, secure and functional facilities (both office and residential) for overseas staff where government owned facilities or a NEC are not an option. OBO continues to review internal business practices and implement process improvements to limit cost growth and identify inefficiencies in the pool of leased facilities. OBO hopes to limit future funding requests with the savings achieved through these management initiatives. The request includes funding for lease and fit-out space for a new New Delhi Model American Center in India; new American Presence Posts; lease housing in Belmopan, Belize; and a net savings of \$2.3 million from terminated leases. In addition, OBO anticipates \$85.0 million in reimbursements from other Federal agencies.

- Maintenance and Repair of Buildings - \$101 million The core business of this program is to provide for the upkeep of the Department's existing inventory of U.S. Government-owned and long-term leased overseas properties. Proper stewardship of this inventory, which includes the Department's recently completed NECs, requires a continuing investment in maintenance and repair to retain asset value, stop deterioration, and ensure facilities are appropriate for conducting diplomacy.

The Department allocates funding for maintenance and repair of buildings by two major activities: Routine Maintenance and Repair, and Special Maintenance and Improvement Projects. Routine Maintenance and Repair includes preventive maintenance of building systems, as well as recurring activities such as painting, weather-stripping, termite control, minor repairs, replacement of fixtures, and the acquisition of building supplies used for recurring maintenance requirements. Special Maintenance and Improvement Projects restore, alter, and modernize existing facilities or perform minor new construction projects such as a new recreation center.

- Major Rehabilitation - \$69.4 million This program rehabilitates, upgrades, or replaces worn out building systems that can no longer be physically or economically maintained by routine, preventive, and unscheduled maintenance and repair activities. System rehabilitation, replacement, and upgrade is done to extend the life of the building and ensure continued serviceability, provide a secure and safe environment for U.S. Government employees, and capitalize on efficiencies from new technologies. The request of \$69.4 million supports projects planned for FY 2008 using a rigorous prioritization process that considers life-safety and security issues and aligns with the Asset Management Plan and the LROBP. Of this request, \$5.3 million is required to fund on-going requirements for projects already under construction and the remaining \$64.1 million will be used to start new projects.
- Facility Management - \$69.3 million This program provides technical assistance and support to overseas posts in maintaining major building systems, as well as all maintenance-related activities associated with the planning and execution of the NEC program. This includes performing maintenance inspections, developing preventive maintenance programs specific to post requirements, and offering hands-on technical support and materials necessary where such

EMBASSY SECURITY, CONSTRUCTION, AND MAINTENANCE

assistance is not otherwise available. The FY 2008 request includes \$9.3 million for critical maintenance operations which consist of \$5.6 million for 12 new Facility Manager positions at new embassy compounds and the implementation of the Locally Employed Facility Manager initiative, \$0.9 million for generators associated with new positions, and \$0.7 million for the Special Projects Assistance Branch providing support and expertise on small projects managed by post.

- Fire Protection - \$8.9 million This program provides a variety of services to the Department's overseas posts including: conducting fire inspections, promoting and presenting training programs, installing fire detection alarm systems, and supplying posts with critical fire and life safety equipment. The FY 2008 request covers purchases of essential fire prevention and system equipment.
- Safety, Health, and Environmental Management - \$3.9 million The Safety, Health, and Environmental Management (SHEM) program mission is to protect the life, health, and safety of U.S. Government employees and family members stationed overseas, minimize the environmental impact of Department activities, and provide occupational health and environmental services to Department of State domestic facilities. This is done by providing technical expertise and support to overseas managers to help them avoid accidents, eliminate workplace hazards and environmental contaminants, and meet with Occupational Safety and Health Administration (OSHA) and Environmental Protection Agency (EPA) standards.
- Art in Embassies Program - \$1.7 million The Art in Embassies program administers loans and donations of American works from museums, institutions, corporations, galleries, and individual artists and collectors to communicate American values and cultural diversity through the display of these works at overseas posts.
- Post Communications - \$7.1 million The Post Communications program provides funding for the life-cycle replacement of all telephone systems located in U.S. Government-owned and long-term leased, non-residential facilities overseas. The goal of this program is to replace obsolete telephone systems with modern, reliable, digital systems capable of delivering a full range of services. This funding will provide for the replacement of systems at five posts in FY 2008.

Information Management and Support – \$34.6 million

The request for Information Management and Support seeks funding for all information technology (IT) and management support to OBO program offices. This request will cover necessary costs to maintain current systems and facilities, which will ensure adequate support for a growing program.

Domestic Renovations - \$23.3 million

The Department of State owns or operates and maintains numerous facilities in metropolitan Washington, D.C. and in other U.S. locales. To protect these real property investments and to ensure adequate working conditions for employees, the Department developed a Capital Improvement Program to upgrade building systems and to correct long identified deficiencies in these facilities.

Headquarters - \$11.3 million

This request provides for the salaries and support costs of the 76 positions providing executive direction, resource management, and developmental training for the entire OBO staff.

EMBASSY SECURITY, CONSTRUCTION, AND MAINTENANCE

Performance in OBO's Results Based Organization

The mission of OBO is to provide U.S. Diplomatic and Consular missions with secure, safe, and functional facilities to assist them in achieving U.S. foreign policy objectives. To achieve this mission, OBO is focused on four priority goals that advance diplomatic readiness, are aligned with Department of State objectives, and reflect the priorities outlined in the President's Management Agenda. These goals are:

- Capital Security Construction – Award capital security construction projects which have been listed in the LROBP after consultation with other agencies, and complete the construction on time and within budget. The program will provide NECs that are secure, safe, and functional for U.S. Government employees to pursue the national interests of the United States through transformational diplomacy.
- Compound and Physical Security – Provide physical security upgrades and compound security to Department overseas facilities to protect employees from terrorist and other security threats. This also includes security upgrades for soft targets such as schools, recreational facilities, and residences.
- Maintenance of Assets – Maintain, repair, and rehabilitate overseas Diplomatic and Consular facilities in an effective manner that enhances the quality of life of employees while allowing them to perform their duties in secure, safe, and functional facilities.
- Asset Management – Acquire, dispose of, and manage the Department's overseas real property in a professional manner that meets Department needs; is performed on terms favorable to the U.S. Government; and is defensible to OMB, the Congress, and the American public, serving as the Department of State's overseas property manager.

In support of these four goals, each component of the OBO organization has established performance targets that benchmark critical functions. Management reviews performance against these targets monthly to identify potential problems and ensure effective performance. OBO management also meets quarterly with its Industry Advisory Panel to review and discuss issues with an aim toward maximizing the free exchange of ideas and best practices between the Government and private sector. This request includes a budget and performance summary linking funding, positions, and performance targets for each significant component.

Performance Targets and Results

OBO has demonstrated that its organization, culture, and processes have resulted in outstanding performance. Since 2001, OBO has consistently delivered and the following metrics reflect this transformation:

- Completed construction of 41 new facilities since 2001:

Abu Dhabi, United Arab Emirates	Abidjan, Cote D'Ivoire	Abuja, Nigeria
Astana, Kazakhstan	Baghdad, Iraq (IOB)	Bamako, Mali
Belmopan, Belize	Bogota, Colombia (IOB)	Bridgetown, Barbados
Cape Town, South Africa	Conakry, Guinea	Conakry, Guinea (USAID)
Dar es Salaam, Tanzania	Dar es Salaam, Tanzania (USAID)	Dili, East Timor (IOB)
Doha, Qatar	Dushanbe, Tajikistan	Frankfurt, Germany
Freetown, Sierra Leone	Istanbul, Turkey	Kabul, Afghanistan
Kabul, Afghanistan (ARG/USAID)	Kampala, Uganda	Kampala, Uganda (USAID)
Kingston, Jamaica	Lima, Peru (USAID)	Lome, Togo
Luanda, Angola	Nairobi, Kenya	Nairobi, Kenya (USAID)

EMBASSY SECURITY, CONSTRUCTION, AND MAINTENANCE

Phnom Penh, Cambodia	Phnom Pehn, Cambodia (USAID)	São Paulo, Brazil
Sofia, Bulgaria	Tashkent, Uzbekistan	Tbilisi, Georgia
Tirana, Albania	Tunis, Tunisia	Yaounde, Cameroon
Yerevan, Armenia	Zagreb, Croatia	

- Continued to manage the on-going construction/design of 36 new facilities:

Abuja, Nigeria Annex	Accra, Ghana	Accra, Ghana (USAID)
Algiers, Algeria	Athens, Greece Annex	Baghdad, Iraq
Bamako, Mali, (USAID)	Beijing, China	Berlin, Germany
Bogota, Colombia	Ciudad Juarez, Mexico	Djibouti, Djibouti
Guangzhou, China (Design)	Jerusalem Annex	Johannesburg, South Africa
Kathmandu, Nepal	Kathmandu, Nepal (USAID)	Khartoum, Sudan
Khartoum, Sudan (Annex)	Kigali, Rwanda	Kingston, Jamaica (USAID)
Kolonia, Micronesia	Koror, Palau	Libreville, Gabon
Managua, Nicaragua	Managua, Nicaragua (USAID)	Mumbai, India
Panama City, Panama	Port au Prince, Haiti	Quito, Ecuador
Rangoon, Burma	Skopje, Macedonia	Skopje, Macedonia (Annex)
Surabaya, Indonesia	Suva, Fiji	Tbilisi, Georgia (USAID)

- Anticipate awarding contracts for 10 new facilities in FY 2007:

Addis Ababa, Ethiopia	Antananarivo, Madagascar	Beirut, Lebanon
Brazzaville, Republic of the Congo	Harare, Zimbabwe	Jeddah, Saudi Arabia (NEC/Housing)
Karachi, Pakistan	Ouagadougou, Burkina Faso	Sarajevo, Bosnia and Herzegovina
Tijuana, Mexico		

- Anticipate awarding contracts for 11 new facilities in FY 2008:

Bandar Seri Begawan, Brunei	Beirut, Lebanon (Annex)	Belgrade, Serbia
Guayaquil, Ecuador	Juba, Sudan (NEC/Housing)	Kinshasa, Dem Rep of the Congo
Lusaka, Zambia	Manila, Philippines (Annex)	Moscow, Russia (Annex)
Riga, Latvia	Tripoli, Libya	

OBO continues to look for ways to improve its cost-effective performance. Continuous improvement is important since a majority of facilities still need to be repaired, rehabilitated, rebuilt, restored, or replaced. Proper funding is critical to the success of OBO initiatives in order to sustain this progress, as well as to ensure compliance with the President's Management Agenda initiative on Federal Real Property Management (Executive Order 13327).

PART / Program Evaluation

Using the Program Assessment Rating Tool (PART), the Office of Management and Budget has examined the Capital Security Construction, Strategic Capital and Compound Security programs. On the PART assessments, the OBO Capital Security Construction Program received a 97% rating, ranking it among the top scores in the entire Federal Government, while the Strategic Capital and Compound Security Programs were also rated as effective – placing these programs in the top 15% of all Federal programs. These OBO programs were found to be well managed, with strong planning and evaluation processes in place to monitor program progress and address any deficiencies in a timely fashion.

EMBASSY SECURITY, CONSTRUCTION, AND MAINTENANCE

As the PART reviews indicate, the management changes and performance initiatives begun by OBO in FY 2001 have produced improved performance and outstanding results, most notably in the Capital Security Construction Program, where ambitious performance targets are met or exceeded regularly. In addition, OBO has incorporated the recommendations from these PART exercises to build upon the already successful OBO management practices.

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OFFICE OF INSPECTOR GENERAL

Resource Summary

(\$ in thousands)

Activities	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Administration and Staff Activities	5,878	5,878	6,055
Inspections, Audits, Investigations	23,255	21,955	24,588
Policy Formulation	1,812	1,812	1,865
Appropriation Total	30,945	29,645	32,508

FY 2006 Actuals reflect the rescission of 0.28% provided through the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (P.L. 109-108) and the general rescission of 1.0% provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B).

FY 2006 Actual includes \$25.3 million provided through the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (P.L. 109-234) and reflects the transfer of \$24.0 million to the Special Inspector General for Iraq Reconstruction.

FY 2007 Estimates reflect the levels provided by a Continuing Resolution (P.L. 109-289, Division B, as amended). These amounts may change with the expected passage of a year-long CR.

Justification of Request

This request funds the activities of the Office of Inspector General (OIG), including audits, inspections, investigations, and security and intelligence reviews of the worldwide operations and programs of the Department of State (Department) and the Broadcasting Board of Governors (BBG). OIG will continue to focus its work on Department and BBG progress in the four strategic areas detailed in its five-year strategic plan: implementation of foreign policy; protection of people, facilities, and information; effectiveness of financial and administrative support systems and controls; and accountability and integrity in programs and operations. The requested funding will enable OIG to strive to meet the expanding demands for reviews of programs, operations, and foreign affairs activities related to mission-critical issues such as security, transformational diplomacy, consular affairs, information technology, public diplomacy, and international broadcasting. In addition, the funding will enable OIG to avoid falling below critical mass in its audit and investigative functions and to increase the level of information technology expertise for its inspections and audit activities. As resources permit, OIG will conduct critical work related to high-risk, high-value programs and operations in Iraq and Afghanistan.

The request of \$32,508,000 includes \$1.876 million for 14 positions to begin restoring OIG's audit and investigation oversight capacity and for wage and price increase. The 14 unfunded positions include six audit positions, three information technology positions to support the audit and inspection functions, four investigator positions, and one inspection position.

Program Description

The OIG monitors the Department and the BBG operations and promotes positive change to improve their management, strengthen their integrity and accountability, reduce their risks and vulnerabilities, and ensure the most efficient, effective, and economic use of their resources. OIG's oversight extends to the Department's and BBG's 59,000+ employees and more than 260 missions and other facilities worldwide,

OFFICE OF INSPECTOR GENERAL

funded through combined annual appropriations of more than \$10 billion. OIG's work identifies problems and vulnerabilities and makes recommendations to correct them, investigates allegations of misconduct and violations of law and regulation, and reviews grants, contracts, financial operations, and other resource-intensive programs to identify cost savings and efficiencies, including resources that can be put to better use.

As mandated by the Inspector General Act of 1978, as amended, and the Foreign Service Act of 1980, as amended, and other governing legislation, OIG conducts audits, inspections, and investigations that provide independent, objective, and professional assessments of Department and BBG operations and activities and recommends ways to strengthen and improve their economy, efficiency, and effectiveness; to detect and prevent fraud, waste, abuse, and mismanagement; and to investigate activities that may violate law and regulation. OIG also assesses the implementation of U.S. foreign policy, primarily through inspection of overseas posts and domestic offices, to ensure that their activities are consistent with the goals established by the President and the Secretary of State; and independently evaluates the formulation, applicability, and implementation of security standards at all U.S. diplomatic and consular posts and BBG overseas operations that fall under chief of mission authority.

Benefits

OIG's work provides a substantial return on investment in terms of cost savings to the government and improvements to the effectiveness, efficiency, economy, and integrity of Department and BBG operations and safety, quality of life, and accountability of their personnel. OIG's activities focus on the most risk-prone and mission-critical operations of the Department, including protection of people and facilities, counter-terrorism and border security, human resources, information security, financial management, and Iraq and Afghanistan. OIG contributes to the Secretary's transformational diplomacy goals by assessing how missions around the world are succeeding in promoting democracy and supporting other transformational diplomacy initiatives.

Audits, inspections, and other reviews identify vulnerabilities that may threaten the integrity and security of Department and BBG operations, as well as improvements needed to strengthen program integrity and accountability, eliminate waste, and ensure resources are used as intended. The results of OIG reviews and investigations provide the Department, BBG, the office of Management and Budget (OMB), Congress, and the American taxpayer with assurance that Department and BBG programs and operations are managed effectively, efficiently, and with integrity; and that U.S. Government managers, employees, and contractors are held accountable for their performance and conduct. OIG oversight also evaluates the Department and BBG progress in management improvement initiatives mandated by the President's Management Agenda and demonstrates the effectiveness of programs evaluated through OMB's Performance Assessment Review Tool.

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

Resource Summary

(\$ in thousands)

Activities	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Academic Exchanges	238,390	246,998	281,082
Professional and Cultural Exchange Programs	143,421	142,996	152,888
Program and Performance	-	2,907	3,170
Exchanges Support	45,595	48,405	49,260
Total Direct Obligations	427,406	441,306	486,400
Balances/Recoveries Applied From Prior Years	(12,275)	(16,144)	-
Balances Carried Forward	16,144	-	-
Appropriation Total	431,275	425,162	486,400

FY 2006 Actuals reflect the rescission of .28% provided through the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006, (P.L. 109-108) and the general rescission of 1.0% provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B).

FY 2006 Actuals include \$5.0 million provided through the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (P.L. 109-234).

FY 2007 Estimates reflect the levels provided by a Continuing Resolution (P.L. 109-289, as amended). These amounts may change with the expected passage of a year-long CR.

In addition to the direct appropriated amounts shown, the U.S. Agency for International Development (USAID) provided funds for Economic Support Fund (ESF), Support for East European Democracy Act (SEED) and Freedom Support Act (FSA) activities in FY 2006. In FY 2006, a total of \$38,058,056 was available for obligations from ESF, SEED, and FSA including FY 2005 balances of \$5,908,056 and FY 2006 transfers of \$32,150,000. A total of \$33,643,327 was obligated; \$29,785 lapsed; and \$4,384,944 in balances will be available in FY 2007. Additional transfers from USAID for ESF and SEED are anticipated in FY 2007 and FY 2008.

Explanation of Request

The international exchange of persons and ideas is fundamental to the security of the United States. Educational and cultural engagement is premised on the knowledge that mutual understanding, the development of future leaders, and the benefits of education programs influence societies and affect official decision-making almost everywhere in the world today. The Department's exchange activities seek to promote better appreciation and understanding of the United States and its values abroad and greater receptivity of U.S. policies among international publics, as well as greater knowledge among Americans about the world.

Anti-American sentiment must be countered with a better appreciation for U.S. policies and values, contributions to winning the war on terrorism and efforts to achieve greater international stability. Educational and cultural exchanges are a critical component in these efforts because they foster a sense of common interests and common values between Americans and people of different countries, cultures and faiths throughout the world. Exchanges encourage and empower moderates with a positive vision of hope,

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

isolating and marginalizing those who preach violence, confronting their ideologies of tyranny and hate, and discouraging indoctrination in extremism.

The FY 2008 request of \$486,400,000 will strengthen the exchanges component of public diplomacy by raising the number of participants in programs of proven value and will create new opportunities to engage, educate and empower foreign and American participants in exchanges, particularly in the Muslim world. The fact that over 230 current and former heads of state and government - including Tony Blair and Hamid Karzai - and more than 35 Nobel laureates - including this year's recipients of the Nobel Prizes for Peace and Literature - are alumni of Bureau of Educational and Cultural Affairs (ECA) exchange programs illustrates the transformative power of exchanges.

National Security Language Initiative

The Department will expand the National Security Language Initiative (NSLI) - announced by President Bush in January 2006 - to engage foreign governments and peoples, especially in critical regions, to encourage reform, promote mutual understanding, convey respect for other cultures, and provide an opportunity to learn more about America and its citizens.

The National Security Language Initiative focuses on Arabic, Chinese, Farsi, Russian and Turkic languages. The Department believes that this focus will prepare young Americans to understand the peoples who will help to define the 21st century, and nothing is more important than the ability to converse in their native tongues.

The Department will build international capacity and knowledge among Americans by providing new opportunities for American high school students, undergraduates and graduate students to study critical need languages abroad, and will strengthen foreign language teaching in the U.S. through exchanges and professional development. New and increased Fulbright scholarships, summer language institutes, and teacher and language exchanges will all increase the national language capacity, and better prepare the U.S. for critical dialogue with its partners around the world. New and increased Gilman Scholarships will assist Americans from economically-challenged backgrounds who seek to study abroad in non-traditional destinations.

International Education in the National Interest

The January 2006 Secretary's U.S. University Presidents' Summit on International Education engaged leaders of U.S. higher education in a renewed partnership to strengthen international education and emphasize its importance to the national interest. The Summit participants, including Secretaries Rice and Spellings, reaffirmed the importance of promoting U.S. study and creating targeted exchanges to reach key student audiences abroad, in close cooperation with the academic community and the private sector. Education is a value that virtually every other society has in common with the U.S., and the USG's willingness to share the excellence, diversity and innovation of the U.S. educational system with students from other countries sends a powerful message of respect, openness and opportunity.

ECA is working to fulfill the Secretary's Summit commitments by launching a series of ground-breaking initiatives that will bring outstanding international students in science and technology to the U.S. for Fulbright awards; take advantage of the resources offered by innovative U.S. community colleges to engage broader foreign student sectors in ECA exchanges; reach out to women, underserved and indigenous populations by offering new U.S. study programs; help deserving students with financial need gain access

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

to U.S. study opportunities; and promote expanded international cooperation in urgent health-related issues by creating a special Humphrey Fellowship in this area.

Empowering Critical Voices

The Department will expand Professional and Cultural Exchange Programs to support the President's 2006 National Security Strategy, promoting freedom and democracy, with the ultimate goal of ending tyranny, intolerance, terror and repression. The Department will expand high performing programs and establish new exchange programs focusing on professional, youth, sports, and cultural programs that engage both U.S. and foreign citizens who influence their nation and the way young people think.

The International Visitor Leadership Program (IVLP) is consistently rated by U.S. missions around the world as the most effective public diplomacy program for rapidly and directly engaging on key foreign policy priorities. These programs - including new initiatives such as the Edward R. Murrow Program for Journalists - develop, sustain, and deepen the channels for dialogue among, and the leadership and influence skills of, emerging leaders, young professionals, youth, and key adult influencers.

Through the Islamic Dialogue Program, the Department will expand the successful Islamic Life in the U.S. projects designed to engage influential Muslim clerics, thinkers, writers and community leaders with American Muslim and non-Muslim counterparts. The program supports a two-fold increase in the number of exchange participants.

An expansion of the Professional Fellows Program under Citizen Exchanges will include new disciplines in opportunity countries in all regions around the world. New programs will directly support the Global Cultural Initiative, announced by First Lady Laura Bush, the Fortune/State Department International Women's Leaders Mentoring Partnership, and Sports Exchange Initiative. Fellows, drawn from priority (primarily Muslim) countries, will be mid-level practitioners in disciplines such as culture, sports and business that inspire hope and create opportunity for youth. By engaging in public-private partnerships, the Department hopes to empower future generations of leaders.

Program and Performance

Alumni outreach amplifies the experience of opinion leaders who participated in the Department's exchange programs after their return home, extending the impact of the funds expended on the initial exchange activity. The Department will continue with widely recognized evaluations of exchange programs and seek new ways to provide policymakers with specific measures of impact and useful tools for planning and adjusting programs.

Exchanges Support

The request includes funding for 18 additional positions that are required to expand the National Security Language Initiative, to engage leaders of U.S. higher education in a renewed partnership to strengthen international education, to expand high performing programs, and to support new exchange programs focusing on professional, youth, sports, and cultural programs. Increased funding is also necessary to ensure that the high quality of exchange programs, which have become increasingly essential components of U.S. foreign policy, is sustained.

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

Program Description

ECA programming falls under the broad categories of Academic Programs, Professional and Cultural Exchanges, Program and Performance, and Exchanges Support.

Academic Exchanges -- Academic exchanges between the United States and foreign countries include the following programs: J. William Fulbright Educational Exchange Program for the exchange of scholars, students, and teachers in both directions, and of mid-career professionals from developing nations through the Hubert H. Humphrey Fellowships, a Fulbright activity; programs to promote English learning overseas; projects for the professional development of teachers; activities to advise foreign students about the value of educational opportunities in the United States, a major service sector with positive foreign trade activity; and undergraduate scholarships such as the Benjamin Gilman program, which funds foreign study for economically disadvantaged Americans, and similar programs for foreign undergraduates to study in the United States.

Professional and Cultural Exchanges -- These exchanges include the International Visitor Leadership Program, which supports travel in the United States by current and emerging foreign leaders to obtain first-hand knowledge about American people, politics, and culture. The Citizen Exchanges Office works in partnership with non-profit non-governmental organizations and the private sector to sponsor professional, cultural and youth exchanges, such as the Future Leaders Exchange Program (FLEX) and the Youth Exchange and Study Program (YES), cultural and sports envoys, and citizen ambassadors.

Program and Performance -- This includes special crosscutting programs conducted outside of the major program accounts directed at establishing and maintaining Alumni networks, and determining the effectiveness of programs through a comprehensive schema of evaluation. This includes the performance measurement of programs in accordance with the Government Performance and Results Act of 1993.

Exchanges Support -- Exchanges support includes staff costs, information technology cost, and support for exchange programs management, increasing cooperation among U.S. government agencies that administer international exchange and training programs, and support for the U.S. Cultural Property Advisory Committee that acts on requests from foreign governments to the United States to assist in cultural preservation and the prevention of the theft of cultural heritage material.

Benefits

In an age of instant global communication, public perceptions of U.S. policies and values have a significant impact on the conduct of American foreign policy. International relations are no longer defined primarily by policies and ideologies, but by perceptions of culture, traditions, values, and beliefs.

Exchanges create opportunities for U.S. and foreign publics to understand each other's societies and cultures directly, and create respected individual ambassadors who can explain America and convey American values.

To build support for U.S. policy abroad, the United States must go beyond governments to inform people and organizations that influence policy and frame public discussion directly. ECA's unique contribution to foreign policy is its ability to engage key individuals and institutions through exchanges that change perceptions and attitudes. These experiences provide participants representative of all segments of societies

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

with firsthand knowledge of American culture, politics, and values, as well as increase U.S. understanding of other countries and peoples, and help build trust and the long-term interpersonal relationships needed to counter stereotypes and address political, economic, and social issues that fuel hostility and conflict. Rarely has the need for a sustained effort to ensure foreign understanding of the country and society been so clearly evident, or so directly related to U.S. long-term national security.

PART / Program Evaluation

The Office of Management and Budget has consistently scored exchange programs in the top 1% of the Executive Branch, emphasizing their transformational power and ability to produce demonstrable results.

Using its Program Assessment Rating Tool (PART), the Office of Management and Budget evaluated exchanges in the Near East and South Asia regions as well as globally and, in both cases, awarded them the highest rating of “effective.”

To supplement its in-depth evaluations, ECA created an on-line performance measurement tool. This on-line survey program provides critical data and analyses to Bureau leadership, partners and stakeholders. To expand the ECA evaluation model to other public diplomacy assessments, the Under Secretary for Public Diplomacy and Public Affairs established a Public Diplomacy Evaluation Office led by ECA's Office of Policy and Evaluation.

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REPRESENTATION ALLOWANCES

Resource Summary

(\$ in thousands)

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Appropriation Total	8,175	8,175	8,175

FY 2006 Actual reflects the rescission of 0.28% provided through the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (P.L. 109-108) and the general rescission of 1.0% provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B).

FY 2007 Estimate reflects the level provided by a Continuing Resolution (P.L. 109-289, Division B, as amended). This amount may change with the expected passage of a year-long CR.

Justification of Request

Representational events provide an essential tool for diplomatic staff to engage government, business, academic and cultural leaders in host countries. A broader base of contacts is one method to improve understanding between the United States and the people of the world. By providing resources for representational events at the more than 260 embassies, missions, and consulates worldwide, the FY 2008 requested funding will continue to support U.S. national interests, economic activities, and other diplomatic functions. The Department will stage appropriate representation events and apply this vital diplomatic tool to enhance the effectiveness of U.S. national and foreign policy interests.

Program Description

This appropriation enables diplomatic and consular personnel to engage in official representational activities overseas and at missions to international organizations.

The activities funded by this appropriation include:

- Interaction with influential individuals and organizations, including the local media, key political elites, academics, business persons and members of non-governmental organizations to assess the overseas public affairs climate and convey and reinforce acceptance of U.S. policies and values;
- Promotion of peaceful relations between the U.S. and other countries by fostering mutual understanding through academic, professional, and cultural activities;
- Promotion of U.S. national interests through formal and informal interactions with knowledgeable foreign officials and long-term residents, usually at receptions, small working luncheons, and informal dinners;
- Protection of U.S. citizens' interests by developing and maintaining personal relationships with foreign officials, which facilitates providing assistance and solving problems of Americans abroad;
- Promotion of economic activities by establishing and maintaining relationships with foreign and American officials, business persons, labor leaders, and others overseas who may be helpful in performing duties connected with promoting and protecting American trade; and
- Fulfillment of commemorative and ceremonial requirements such as Fourth of July celebrations or the laying of a wreath at the tomb of a local national hero.

REPRESENTATION ALLOWANCES

Benefits

Activities performed under this appropriation facilitate the effective conveyance of U.S. foreign policy goals and objectives, the gathering of information central to the formulation of our bilateral and multilateral foreign policy, and the cultivation of and support for U.S. policies and values.

PROTECTION OF FOREIGN MISSIONS AND OFFICIALS

Resource Summary

(\$ in thousands)

Activities	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Extraordinary Protection of Foreign Missions/Officials New York	7,509	7,509	16,000
Extraordinary Protection of Foreign Missions/Officials Rest of U.S.	1,761	1,761	2,000
Appropriation Total	9,270	9,270	18,000

FY 2006 Actuals reflect the rescission of 0.28% provided through the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (P.L. 109-108) and the general rescission of 1.0% provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B).

FY 2007 Estimates reflect the levels provided by a Continuing Resolution (P.L. 109-289, Division B, as amended). These amounts may change with the expected passage of a year-long CR.

Justification of Request

The FY 2008 request of \$18,000,000, to remain available for two fiscal years, will fund requirements for the extraordinary protection of international organizations and foreign missions and officials in the United States. The increase over prior years reflects a rise in the annual validated claims for reimbursement submitted by the City of New York for the costs associated with handling the security related to the United Nations.

Program Description

Under Section 214 of the State Department Basic Authorities Act and 3 USC §§ 202(8), 202(10), and 208, the Department of State provides for the extraordinary protection of international organizations, foreign missions and officials, and foreign dignitaries (under certain circumstances) throughout the United States. The Bureau of Diplomatic Security administers this program in the following manner:

- **Extraordinary Protection of International Organizations and Foreign Missions and Officials in New York** - Extraordinary protection of foreign missions and officials, including those accredited to the United Nations and other international organizations, and visiting foreign dignitaries under certain circumstances is arranged when deemed necessary by the Secretary of State either at the request of a foreign mission or international organization, at the initiative of the Department of State, or in response to a request by state or local law enforcement authorities. In those instances where the Secretary of State determines that the required level of protection exceeds that which local law enforcement agencies can reasonably be expected to provide, the Department is authorized to use its own resources to reimburse other federal agencies, including but not limited to the U.S. Marshals Service and the Bureau of Alcohol, Tobacco, and Firearms: to contract for the services of private security firms; or to reimburse state or local authorities for extraordinary protective services.
- **Extraordinary Protection of International Organizations, Foreign Missions and Officials Elsewhere in the United States** - Throughout the rest of the United States, extraordinary protection of

PROTECTION OF FOREIGN MISSIONS AND OFFICIALS

international organizations, foreign missions and officials, and visiting foreign dignitaries under circumstances is arranged when deemed necessary by the Secretary of State either at the request of a foreign mission or international organization, at the initiative of the Department of State, or upon a request by state or local law enforcement authorities. In those instances where the Secretary of State determines that the required level of protection exceeds that which local law enforcement agencies can reasonably be expected to provide, the Department is authorized to use its own resources to reimburse other federal agencies, including the U.S. Secret Service and the U.S. Park Police; to contract for the services of private security firms; or reimburse state or local authorities for extraordinary protective services.

Benefits

This program is used by the United States Government in furtherance of its obligation under the Vienna Convention on Diplomatic Relations and other international treaties to protect foreign missions and officials in the United States.

Examples of the protection given to foreign missions and officials include:

- Permanent protection for certain foreign missions, consulates, and chanceries throughout the United States;
- Intermittent protection for certain other consulates in the United States;
- Protection for foreign officials and certain other distinguished foreign visitors during the annual meeting of the United Nations General Assembly; and
- Protection of foreign government officials while in the United States to conduct official business with the United States Government and while visiting metropolitan areas where there are 20 or more full-time consular or diplomatic missions.

A demonstrated commitment to the safety of foreign dignitaries visiting the United States will also ensure that U.S. diplomats and government officials receive reciprocal treatment when traveling abroad. A tangible example of the benefits of this reciprocity was the response of Syrian authorities to help foil the attack on the American Embassy in Damascus in September 2006.

PART / Performance Evaluation

PFMO supports the Department's Strategic Goals 1 and 7 -- Achieving Peace and Security and Strengthening Consular and Management Capabilities. PFMO contributes to these goals by ensuring the protection of foreign missions and officials in the U.S., enabling the conduct of international diplomacy.

Successful implementation of the PFMO Program is evidenced by the successful protection of all foreign officials within its responsibility against dangerous or life-threatening situations and all foreign missions within its purview against attack.

EMERGENCIES IN THE DIPLOMATIC AND CONSULAR SERVICE

Resource Summary

(\$ in thousands)

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Appropriation Total	43,872	4,940	19,000

FY 2006 Actual reflects the rescission of 0.28% provided through the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (P.L. 109-108) and the general rescission of 1.0% provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B).

FY 2006 Actual includes \$15.0 million provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B).

FY 2006 Actual also includes \$19.0 million transferred from the Diplomatic and Consular Programs appropriation.

FY 2007 Estimate reflects the level provided by a Continuing Resolution (P.L. 109-289, Division B, as amended). This amount may change with the expected passage of a year-long CR.

Justification of Request

The FY 2008 request of \$19,000,000 will allow the Department to meet emergency requirements, and other needs in the conduct of foreign affairs, including:

- Payments for rewards related to terrorism, narco-terrorism and war crimes, as well as ongoing or new rewards publicity campaigns;
- Travel, per diem, and other related expenses for evacuation of American government employees and their families from troubled areas to the United States and/or “safe haven” posts;
- Allowances granted to State Department employees and their dependents evacuated in such emergencies;
- Travel, per diem and other related expenses for the emergency response teams that provide immediate medical and administrative assistance to posts that have undergone a terrorist incident or natural disaster;
- Reimbursement to Department of Homeland Security of travel, per diem, equipment, and salaries of the International Medical Surgical Response Team (IMSuRT) physicians who provide emergency medical services to assess, treat, and prepare for evacuation of injured American personnel and their families in the event of natural or manmade disaster;
- Reimbursement to Department of Defense for hostage rescue contingencies;
- Investigations and apprehension of groups or individuals involved in fraudulent issuance of U.S. passports and visas;
- Representation expenses for senior domestic officials related to the conduct of foreign affairs; and
- Other authorized purposes.

Program Description

The Emergencies in the Diplomatic and Consular Service appropriation is a no-year account utilized to meet unforeseen emergencies and other requirements that arise in the conduct of foreign affairs.

EMERGENCIES IN THE DIPLOMATIC AND CONSULAR SERVICE

The appropriation is available to:

- Meet emergency situations in the conduct of foreign affairs, such as the evacuation of USG employees and their families, as well as private American citizens and third country nationals in certain circumstances, from areas of political unrest or natural disaster.
- Assist host governments with quick transportation of specialized equipment to locations where American citizens and U.S. interests are in jeopardy due to terrorist incidents overseas. This fund will expedite payments for airlifting specialized equipment to locate hostages.
- Pay rewards for certain information concerning acts of international terrorism, international narco-terrorism, drug trafficking, and war crimes. There are standing offers which cover numerous terrorist incidents, including the following: the terrorist attacks of Sept. 11, 2001; the Bwindi Park murders in Uganda; the United Texas Petroleum (UTP) murders and U.S. Consulate murders in Karachi; the Daniel Pearl case; the Embassy Islamabad killings; the bombing of the USS Cole; the 1993 World Trade Center bombing; the bombing of U.S. Embassies in Nairobi and Dar es Salaam; the attack on U.S. Marine barracks in Beirut; the bombing of Saudi residential compounds; the attack on an American diplomatic convoy in Gaza; and the bombings in Bali, Indonesia. There are also standing reward offers for the arrest or conviction of Revolutionary Armed Forces of Colombia (FARC) kidnappers in Colombia; the arrest and/or conviction of major international drug lords; and the arrest of war criminals in Rwanda and the former Yugoslavia. There are also standing reward offers for several members of the former regime of Saddam Hussein.
- Support certain representational activities, such as those incurred during visits of official foreign dignitaries, peace talks, and at international summits.
- Support reimbursements for hostage rescue contingencies.

Benefits

In FY 2006, funds were used to:

- Provide for the evacuation and related support of Americans abroad including USG employees and their families. Evacuations due to natural disaster occurred in Havana, Cuba (hurricane). An evacuation due to threats of terrorism occurred in Georgetown, Guyana, where a State Department employee and family members were evacuated due to a specific threat. Evacuations due to civil unrest occurred in Kathmandu, Nepal; N'Djamena, Chad; Dili, East Timor; Damascus, Syria; and in Lebanon, which was the largest USG-assisted departure operation of overseas American citizens in nearly four decades.
- Provide for rewards payments totaling \$10.6 million; publicize the rewards program overseas for information leading to the apprehension, effective prosecution, and/or punishment of individuals responsible for international terrorist activities; fund rewards for information leading to the prevention of acts of international terrorism outside the territorial jurisdiction of the United States against U.S. citizens or property; and increase the publicity campaign in Colombia and Mexico targeting major narcotics traffickers.

REPATRIATION LOANS PROGRAM ACCOUNT

Resource Summary

(\$ in thousands)

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Appropriation Total	1,302	1,285	1,285

FY 2006 Actual reflects the rescission of 0.28% provided through the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (P.L. 109-108) and the general rescission of 1.0% provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B).

FY 2007 Estimate reflects the level provided by a Continuing Resolution (P.L. 109-289, Division B, as amended). This amount may change with the expected passage of a year-long CR.

Justification of Request

The FY 2008 request will allow the Department of State to subsidize and administer the Repatriation Loans program consistent with the Credit Reform Act of 1990 and at a funding level consistent with historical requirements. This activity is funded as a direct loan program in accordance with the Credit Reform Act. The Department of State receives a limited level of financing for direct loans from the Department of the Treasury in a separate financing account, disburses these funds to U.S. citizens as needed abroad, and repays the Treasury as the repatriation loans are collected from the public. In recent years the Department has made significant improvements in defaulted loan collections resulting in a 20% decrease in the subsidy costs to the U.S. Government.

FY 2008 subsidy request of \$678,000 (60.22%) will provide a loan level of \$1,125,871. The subsidy appropriation represents the estimated costs to the U.S. Government of loans that are unlikely to be repaid. For FY 2008, the Department is also requesting continuation of authority within the Emergencies in the Diplomatic and Consular Service account to allow the transfer of up to \$1 million into this account if loan requirements exceed the requested level.

The FY 2008 administration request of \$607,000 will provide for operation and management of the loan program consistent with the Credit Reform Act. The Department is requesting continuation of authority to transfer the administration portion of this request to the Diplomatic and Consular Programs account. This transfer makes administration of the program more efficient by simplifying financial planning and accounting procedures.

Program Description

When U.S. citizens abroad become destitute and are unable to fund their return home, they may enlist the assistance of the U.S. Embassy or Consulate in the country in which they are stranded. Consular officers first attempt to obtain funds for the person in need from family members and/or friends in the United States. If this cannot be done, the post is authorized in certain circumstances to purchase transportation for direct return to the United States and to provide food and lodging for the period prior to the next available flight, via U.S. carrier whenever possible. The recipient is required to sign a promissory note for the amount of the loan. The Department of State actively seeks repayment of these loans. To encourage repayment, the recipient's passport is restricted at the time the loan is granted to allow return to the United States only. This restriction remains in effect until the loan is repaid.

REPATRIATION LOANS PROGRAM ACCOUNT

Benefits

The Repatriation Loan Program directly benefits American citizens abroad by providing them with the means to return to the United States if destitute or otherwise in need of such assistance. The program also serves U.S. foreign policy interests where exigent circumstances require an individual's return to the U.S. to respect host country laws or preserve public safety. In 2006, 835 loans were processed overseas for destitute Americans.

PAYMENT TO THE AMERICAN INSTITUTE IN TAIWAN

Resource Summary

(\$ in thousands)

Activities	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Agriculture Services	525	425	441
Commercial Services	1,687	1,220	1,265
Consular Services	4,323	2,600	2,696
Economic Services	1,744	1,243	1,289
Other Services	7,763	6,860	7,114
Public Affairs Services	1,836	1,822	1,890
Washington Headquarters	1,621	1,656	1,656
Appropriation Total	19,499	15,826	16,351

FY 2006 Actuals reflect the rescission of 0.28% provided through the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (P.L. 109-108) and the general rescission of 1.0% provided through the Emergency Supplemental Appropriations Act to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006 (P.L. 109-148, Division B).

FY 2007 Estimates reflect the levels provided by a Continuing Resolution (P.L. 109-289, Division B, as amended). These amounts may change with the expected passage of a year-long CR.

Justification of Request

The FY 2008 request will fund a contractual agreement between the American Institute in Taiwan (AIT) and the Department of State in accordance with the Taiwan Relations Act, Public Law 96-8. This request of \$16,351,000 assumes operations will continue at the current FY 2007 level.

Funding From Other Sources

The American Institute in Taiwan, a nonprofit corporation, has historically received reimbursement for services performed. In FY 2008, AIT anticipates collecting a total of \$32 million. This includes approximately \$18 million in visa processing fees and \$14 million in reimbursements from other agency contracts as well as compensation associated with supporting the Foreign Service Institute's Chinese Language School. Of the estimated \$18 million in visa processing fees, \$16.475 million will be needed to cover direct and indirect operating expenses in addition to the appropriation provided. The remaining visa processing fees will be set aside for the capital projects account and consular service upgrades.

Program Description

Since its inception in 1979 under the Taiwan Relations Act (Public Law 96-8), the American Institute in Taiwan has been committed to strengthening relations between the people of the United States and the people of Taiwan. Under the Taiwan Relations Act, the USG conducts unofficial relations with the people of Taiwan through AIT. AIT was established to carry out the Act by providing economic and commercial services, cultural and information programs, and travel services for Americans and the people on Taiwan. To support U.S. interests in Taiwan, AIT promotes U.S. exports; participates in cultural, scientific, and information exchange programs; analyzes and reports on political and economic events of importance to the

PAYMENT TO THE AMERICAN INSTITUTE IN TAIWAN

U.S. and Taiwan; provides consular services (non-immigrant, immigrant, and American citizen); and performs liaison functions on behalf of the Department of State and various USG agencies with their Taiwan counterpart organizations.

The Institute maintains an office in Taipei, a small Washington headquarters office, and a branch office in Kaohsiung that handles matters related to commercial promotion, consular services, cultural affairs, and the Container Security Initiative.

Pursuant to Section 6(a) of the Taiwan Relations Act, “Programs, transactions, and other relations conducted or carried out by the President or any agency of the United States Government with respect to Taiwan shall, in the manner and to the extent directed by the President, be conducted and carried out by or through the American Institute in Taiwan....” Under contract with the U.S. Department of State, AIT is reimbursed for the Department's share of salaries, benefits, rents, representation, and other expenses associated with operations in Taiwan and in the United States. The broad range of contractual responsibilities is described below:

- Economic Services includes reporting on economic developments in Taiwan, negotiations on trade barriers to U.S. products and services, resolution of trade disputes, and negotiations on other trade and investment policy matters. The primary areas covered in bilateral consultations and negotiations include general market access for goods and services such as telecommunications, pharmaceuticals, financial and investment services, and textiles and apparel; investment; intellectual property rights protection; and environmental issues.
- Commercial Services activities include a strong trade promotion program for U.S. exporters. Activities include one-on-one counseling on business conditions, the issuance of credit reports on Taiwanese companies, searches for representatives for U.S. business organizations, bulletins on specific export conditions, and market research on generic lines of business. AIT also serves the large resident U.S. business community in Taiwan.
- Consular Services functions include processing of immigrant and non-immigrant visas, notarial services, reports of births of Americans, interrogatories on behalf of Americans in legal processes, and passport services. AIT assists Americans in cases involving death, arrest, welfare and whereabouts, and voter registration.
- Public Affairs Services encompasses outreach to Taiwan's aggressive and influential media, the coordination of visitor programs to the U.S., presentations on American history, culture and society through exhibits and programs, contributions to the Foundation for Scholarly Exchange, and maintenance of an electronic library of English language materials and books.
- Agricultural Affairs identifies new trade opportunities, analyzes agriculture trade issues, assists U.S. agriculture exporters, and promotes the sale of American agricultural products and services.
- Other Services activities represent a diverse category of functions including: political reporting in a rapidly evolving democratic environment, support for the defense needs of Taiwan, cooperation to combat international drug trafficking, and administrative support for program activities.
- AIT's Washington headquarters carries out executive functions and acts as the liaison between various U.S. Government agencies and the Taiwan Economic and Cultural Representative Office (TECRO). In particular, the Washington office provides executive and administrative direction for AIT, financial oversight and contract administration of all agency agreements, and coordination of negotiations and agreements. In accordance with the AIT-TECRO Agreement on Privileges and Immunities, the Washington office also issues identity cards and tax exemption cards to TECRO employees and their dependents, and serves as the liaison between TECRO, the Department of State, and the Department of

PAYMENT TO THE AMERICAN INSTITUTE IN TAIWAN

Homeland Security, Directorate of Border and Transportation Security regarding visas and adjustments of status.

Benefits

The activities of AIT strengthen commercial, cultural, and other relations between the people of the United States and the people on Taiwan, promote continued stability in the Taiwan Strait, and support U.S. global effects such as counter-terrorism, export controls, and human rights.

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FOREIGN SERVICE RETIREMENT AND DISABILITY FUND

Resource Summary

(\$ in thousands)

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Appropriation Total	131,700	125,000	122,500

Justification of Request

The request for this account represents the cost of sustaining adequate funding of the Foreign Service Retirement and Disability Fund (FSRDF). The FY 2008 request reflects the mandatory funding needs based on the annual evaluation of the FSRDF using current statistical data including Federal pay raise information.

Program Description

The FSRDF includes the operations of two separate retirement systems, the Foreign Service Retirement and Disability System (FSRDS) and the Foreign Service Pension System (FSPS). The FSRDF was established to provide annuities to all eligible retired and disabled members of the Foreign Service (including those eligible for disability retirement), and certain eligible survivors and former spouses, who are enrolled in either of the two systems. The purpose of this appropriation is to maintain the required funding level of the FSRDS. This appropriation is the mandatory funding required, in addition to the other sources of funding mentioned below. The appropriation is one of several sources of income to the FSRDF.

Funding is maintained through:

- contributions by participants;
- government contributions;
- special government contributions, including this program;
- interest on investments; and
- voluntary contributions.

Payments to the FSRDF are authorized by sections 805 and 821 of the Foreign Service Act of 1980 (P.L. 96-465), as amended. Section 821 authorizes payments to be made in 30 annual installments to pay unfunded liability costs due to:

- new or liberalized benefits;
- new groups of beneficiaries; and
- salary increases on which benefits are computed.

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